

**City of Rockville, Maryland**

**Comprehensive**

**Annual Financial Report**

**Part II**

**Financial Section**

**Fiscal Year 2000**  
**July 1, 1999 - June 30, 2000**





## KELLER BRUNER & COMPANY, LLP

Certified Public Accountants • Management Consultants

### INDEPENDENT AUDITOR'S REPORT

To The Honorable Mayor, Members of the City Council and City Manager  
City of Rockville, Maryland

We have audited the accompanying general purpose financial statements of the City of Rockville, Maryland, as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Rockville, Maryland's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Rockville, Maryland, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2000, on our consideration of the City of Rockville, Maryland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Honorable Mayor, Members of the City Council and City Manager  
City of Rockville, Maryland - Page 2

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Rockville, Maryland. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

*Keller Bruner & Company LLP*

October 11, 2000

# **General Purpose Financial Statements**

These statements provide a summary overview of the financial position of all Funds and Account Groups and the operating results by Fund Types. They also serve as an introduction to the more detailed statements and schedules that follow.



# CITY OF ROCKVILLE, MARYLAND

## Combined Balance Sheet - All Fund Types and Account Groups

June 30, 2000

(With Comparative Totals for 1999)

	Governmental Fund Types.....				.....Account Groups.....			Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Proprietary Fund Type Enterprise	Fiduciary Fund Type Trust	General Fixed Assets		Long-Term Debt
<b>Assets and Other Debits</b>									
Equity in pooled cash and cash equivalents (Note 2)	\$ 9,223,176	\$ 425,779	\$2,827,510	\$ -	\$14,773,400	\$ -	\$ -	\$ -	\$ 27,249,865
Investments (Note 2)						47,715,480			47,715,480
Property taxes receivable, net (Note 3)	356,798	-	-	-	-	-	-	-	356,798
Accounts receivable, net	154,582	621,768	-	-	2,050,000	-	-	-	2,826,350
Interfund receivable (Note 4)	532,662	-	-	-	-	-	-	-	532,662
Due from other governments (Note 5)	1,187,820	-	-	-	-	-	-	-	1,187,820
Assessments receivable			26,444		18,363				2,177,750
Other assets	935,299	6,193	87,067	50,464	58,890	-	-	-	39,966
Unbilled assessments receivable			3,192,297		814,548	-	-	-	1,137,913
Property for resale						-	-	-	4,006,845
Notes receivable						-	-	-	-
Fixed assets, net (Note 7)	660,000					-	-	-	660,000
Purchased capacity, (Note 6)					35,342,145		39,832,626		75,174,771
Amounts available for retirement of debt					12,202,502				12,202,502
Amounts to be provided for compensated absences and retirement of debt								2,530,277	2,530,277
Total assets and other debits	\$13,050,337	\$1,053,740	\$6,133,318	\$ 50,464	\$65,259,848	\$47,715,480	\$39,832,626	\$19,984,077	\$197,890,679
<b>Liabilities, Equity and Other Credits</b>									
<b>Liabilities</b>									
Accounts payable	\$ 709,866	\$ 37,076	\$ -	\$ 381,344	\$ 2,094,189	\$ -	\$ -	\$ -	\$ 3,087,476
Interfund payable (Note 4)		362,114		170,548					463,752
Accrued liabilities	738,820	44,524			668,882			1,451,048	3,350,059
Deferred revenue	1,472,327	757,606	3,218,741	7,500	73,330				6,520,089
Retainages payable				278,823	250,706				615,784
Deposits and other liabilities	384,723	9,400	384,300		12,227				790,650
Special assessment debt with governmental commitment (Note 8)									1,056,680
Long-term debt (Note 8)					208,800		81,200		565,000
Total liabilities	\$ 3,305,736	\$1,210,720	\$3,603,041	\$ 838,215	\$11,694,365	\$ -	\$20,982,106	\$22,514,354	\$30,180,657
<b>Equity and Other Credits</b>									
Contributed capital (Notes 10 & 11)									
Investment in general fixed assets									
Retained earnings:									
Reserved for debt payment (Note 11)					23,887,878		39,832,626		27,079,559
Unreserved									32,864,798
Fund balances: (Note 11)									
Reserved for encumbrances					378,517				378,517
Reserved for self insurance deposit					29,299,088				28,033,885
Reserved for inventory	267,888			1,589,229					3,359,485
Reserved for advance	261,393								261,393
Reserved for debt service	262,146								225,407
Reserved for employees' pension benefits	350,000		2,530,277						100,000
Unreserved:									
Designated for future expenditures	1,823,671	117,000				47,715,480			2,768,938
Undesignated	6,779,503	(273,980)							47,512,113
Total equity and other credits	\$ 9,744,601	\$ (156,980)	\$2,530,277	\$ (787,751)	\$53,565,483	\$47,715,480	\$39,832,626	\$ -	374,482
Total liabilities, equity and other credits	\$13,050,337	\$1,053,740	\$ 6,133,318	\$ 50,464	\$65,259,848	\$47,715,480	\$39,832,626	\$19,984,077	\$197,890,679

See the accompanying notes to the general purpose financial statements.

See the accompanying notes to the general purpose financial statements.

# CITY OF ROCKVILLE, MARYLAND

## Combined Statement of Revenue, Expenditures, and Changes in Fund Balances All Governmental Fund Types For the Year Ended June 30, 2000 (With Comparative Totals for 1999)

	Governmental Fund Types.....				Totals	
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only) 2000	1999
<b>Revenue</b>						
Property taxes	\$17,329,261	\$ -	\$ -	\$ -	\$17,329,261	\$17,268,370
Assessments	-	-	443,801	-	443,801	1,672,873
Revenue from other governments:						
Community development block grant	-	303,854	-	-	303,854	587,962
Income taxes	4,867,201	-	-	-	4,867,201	5,138,028
Gas and motor vehicle taxes	2,263,596	-	-	-	2,263,596	2,203,406
County tax duplication payment	1,334,996	-	-	-	1,334,996	1,416,569
Admissions and amusement taxes	856,964	-	-	-	856,964	709,050
Grants and other governmental revenue	1,316,188	-	-	772,611	2,088,799	1,867,754
Licenses and permits	1,645,335	-	-	-	1,645,335	1,129,716
Charges for services	2,991,577	910,134	-	56,160	3,957,871	2,621,387
Use of money and property	1,164,700	14,023	93,993	19,948	1,292,664	1,292,812
Fines and forfeitures	13,224	-	-	-	13,224	131,111
Other revenue	1,379,432	279,227	-	-	1,658,659	1,140,465
<b>Total revenue</b>	<b>\$35,162,474</b>	<b>\$1,507,238</b>	<b>\$ 537,794</b>	<b>\$ 848,719</b>	<b>\$38,056,225</b>	<b>\$37,179,503</b>
<b>Expenditures</b>						
Current operations:						
General government	\$ 7,241,808	\$ -	\$ -	\$ -	\$ 7,241,808	\$ 6,380,787
Community development block grant	-	303,854	-	-	303,854	587,962
Community development	867,840	669	-	-	868,509	1,057,886
Community services	686,649	84,482	-	-	771,131	848,696
Public safety	5,614,447	-	-	-	5,614,447	4,922,060
Public works	4,410,505	-	-	-	4,410,505	4,488,229
Recreation and parks	9,111,957	910,897	-	-	10,022,854	8,542,658
Nondepartmental	1,815,626	-	-	-	1,815,626	1,566,781
Capital outlay	-	-	-	8,138,472	8,138,472	6,526,274
Debt service	-	-	4,058,912	-	4,058,912	3,732,052
<b>Total expenditures</b>	<b>\$29,748,832</b>	<b>\$1,299,902</b>	<b>\$ 4,058,912</b>	<b>\$ 8,138,472</b>	<b>\$43,246,118</b>	<b>\$38,653,385</b>
Excess (deficiency) of revenue over expenditures	\$ 5,413,642	\$ 207,336	\$(3,521,118)	\$(7,289,753)	\$(5,189,893)	\$(1,473,882)
<b>Other Financing Sources (Uses)</b>						
Operating transfers in	-	38,131	3,282,457	3,000,000	6,320,588	7,028,156
Operating transfers out	(6,427,787)	-	-	-	(6,427,787)	(7,285,765)
Proceeds from the sale of general obligation bonds	-	-	-	1,023,639	1,023,639	2,573,000
<b>Total other financing sources (uses)</b>	<b>\$(6,427,787)</b>	<b>\$ 38,131</b>	<b>\$ 3,282,457</b>	<b>\$ 4,023,639</b>	<b>\$ 916,440</b>	<b>\$ 2,315,391</b>
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	\$(1,014,145)	\$ 245,467	\$ (238,661)	\$(3,266,114)	\$(4,273,453)	\$ 841,509
Fund balances at beginning of year	10,758,746	176,263	2,768,938	2,478,363	16,182,310	15,273,824
Residual equity transfer (Note 11)	-	(578,710)	-	-	(578,710)	66,977
<b>Fund balances at end of year</b>	<b>\$ 9,744,601</b>	<b>\$ (156,980)</b>	<b>\$ 2,530,277</b>	<b>\$ (787,751)</b>	<b>\$11,330,147</b>	<b>\$16,182,310</b>

See the accompanying notes to the general purpose financial statements.



# CITY OF ROCKVILLE, MARYLAND

## Combined Statement of Revenue, Expenditures, and Changes in Fund Balances Revised Budget (GAAP Basis) and Actual General, Special Revenue, and Debt Service Funds For the Year Ended June 30, 2000

	.....General Fund.....			.....Special Revenue Funds.....			.....Debt Service Fund.....		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>									
Property taxes	\$17,389,601	\$17,329,261	\$ (60,340)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assessments	-	-	-	-	-	-	437,712	443,801	6,089
Revenue from other governments:									
Community development block grant	-	-	-	1,800,410	303,854	(1,496,556)	-	-	-
Income taxes	5,447,040	4,867,201	(579,839)	-	-	-	-	-	-
Gas and motor vehicle taxes	2,075,939	2,263,596	187,657	-	-	-	-	-	-
County tax duplication payment	1,415,000	1,334,996	(80,004)	-	-	-	-	-	-
Admissions and amusement taxes	810,000	856,964	46,964	-	-	-	-	-	-
Grants and other governmental revenue	1,292,162	1,316,188	24,026	-	-	-	-	-	-
Licenses and permits	1,206,250	1,645,335	439,085	-	-	-	-	-	-
Charges for services	2,817,301	2,991,577	174,276	975,947	910,134	(65,813)	-	-	-
Use of money and property	969,166	1,164,700	195,534	19,275	14,023	(5,252)	80,000	93,993	13,993
Fines and forfeitures	12,200	13,224	1,024	-	-	-	-	-	-
Other revenue	1,222,840	1,379,432	156,592	213,723	279,227	65,504	-	-	-
<b>Total revenue</b>	<b>\$34,657,499</b>	<b>\$35,162,474</b>	<b>\$ 504,975</b>	<b>\$3,009,355</b>	<b>\$1,507,238</b>	<b>\$(1,502,117)</b>	<b>\$ 517,712</b>	<b>\$ 537,794</b>	<b>\$ 20,082</b>
<b>Expenditures</b>									
Current operations:									
General government	\$ 7,570,513	\$ 7,241,808	\$ 328,705	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Community development block grant	-	-	-	1,800,410	303,854	1,496,556	-	-	-
Community development	1,071,307	867,840	203,467	34,229	669	33,560	-	-	-
Community services	702,170	686,649	15,521	303,189	84,482	218,707	-	-	-
Public safety	5,775,251	5,614,447	160,804	-	-	-	-	-	-
Public works	4,539,971	4,410,505	129,466	-	-	-	-	-	-
Recreation and parks	9,714,541	9,111,957	602,584	963,379	910,897	52,482	-	-	-
Nondepartmental	2,558,319	1,815,626	742,693	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	4,060,634	4,058,912	1,722
<b>Total expenditures</b>	<b>\$31,932,072</b>	<b>\$29,748,832</b>	<b>\$2,183,240</b>	<b>\$3,101,207</b>	<b>\$1,299,902</b>	<b>\$1,801,305</b>	<b>\$ 4,060,634</b>	<b>\$ 4,058,912</b>	<b>\$ 1,722</b>
Excess (deficiency) of revenue over expenditures	\$ 2,725,427	\$ 5,413,642	\$2,688,215	\$ (91,852)	\$ 207,336	\$ 299,188	\$(3,542,922)	\$(3,521,118)	\$ 21,804
<b>Other Financing Sources (Uses)</b>									
Transfer to capital projects fund	(3,000,000)	(3,000,000)	-	(313,750)	-	313,750	-	-	-
Transfer to debt service fund	(3,282,457)	(3,282,457)	-	-	-	-	-	-	-
Transfer to redgate golf course fund	(70,407)	(70,407)	-	-	-	-	-	-	-
Transfer to refuse fund	(36,792)	(36,792)	-	-	-	-	-	-	-
Transfer to special activities fund	(38,131)	(38,131)	-	-	-	-	-	-	-
Transfer from general fund	-	-	-	38,131	38,131	-	3,282,457	3,282,457	-
<b>Total other financing sources (uses)</b>	<b>\$(6,427,787)</b>	<b>\$(6,427,787)</b>	<b>\$ -</b>	<b>\$ (275,619)</b>	<b>\$ 38,131</b>	<b>\$ 313,750</b>	<b>\$ 3,282,457</b>	<b>\$ 3,282,457</b>	<b>\$ -</b>
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	\$(3,702,360)	\$(1,014,145)	\$2,688,215	\$(367,471)	\$ 245,467	\$ 612,938	\$(260,465)	\$(238,661)	\$ 21,804
Fund balance at beginning of year	10,758,746	10,758,746	-	176,263	176,263	-	2,768,938	2,768,938	-
Residual equity transfer	-	-	-	-	(578,710)	(578,710)	-	-	-
<b>Fund balance (deficit) at end of year</b>	<b>\$ 7,056,386</b>	<b>\$ 9,744,601</b>	<b>\$2,688,215</b>	<b>\$ (191,208)</b>	<b>\$ (156,980)</b>	<b>\$ 34,228</b>	<b>\$ 2,508,473</b>	<b>\$ 2,530,277</b>	<b>\$ 21,804</b>

See the accompanying notes to the general purpose financial statements.

# CITY OF ROCKVILLE, MARYLAND

## Combined Statement of Revenue, Expenses, and Changes in Retained Earnings Proprietary Fund Type For the Year Ended June 30, 2000 (With Comparative Totals for 1999)

	<u>2000</u>	<u>1999</u>
<b>Operating Revenue</b>		
Charges for services	\$12,454,697	\$12,728,092
Other revenue	538,849	473,863
Total operating revenue	<u>\$12,993,546</u>	<u>\$13,201,955</u>
<b>Operating Expenses</b>		
Treatment and purification	\$ 1,139,141	\$ 1,032,700
Distribution	593,768	620,318
Collection and disposal	4,702,256	4,648,915
Customer billing, collection and operating expenses	3,763,128	4,673,099
Repairs and maintenance	438,627	313,120
Total operating expenses	<u>\$10,636,920</u>	<u>\$11,288,152</u>
Operating income before depreciation and amortization	\$ 2,356,626	\$ 1,913,803
Less depreciation and amortization	<u>(1,795,579)</u>	<u>(1,814,711)</u>
Operating income	\$ 561,047	\$ 99,092
<b>Nonoperating Income (Expenses)</b>		
Interest income	882,113	998,235
Interest expense	<u>(443,664)</u>	<u>(431,540)</u>
Nonoperating income, net	<u>\$ 438,449</u>	<u>\$ 566,695</u>
Income before operating transfers	\$ 999,496	\$ 665,787
<b>Operating Transfers In</b>		
Operating transfers in	107,199	257,609
Total operating transfers in	<u>\$ 107,199</u>	<u>\$ 257,609</u>
Net income	\$ 1,106,695	\$ 923,396
Depreciation charged directly against contributed capital	402,230	470,941
Increase in retained earnings	<u>\$ 1,508,925</u>	<u>\$ 1,394,337</u>
Retained earnings at beginning of year	28,412,402	28,276,195
Residual equity transfer (Note 11)	<u>(243,722)</u>	<u>(1,258,130)</u>
Retained earnings at end of year	<u>\$29,677,605</u>	<u>\$28,412,402</u>

See the accompanying notes to the general purpose financial statements.

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# CITY OF ROCKVILLE, MARYLAND

## Combined Statement of Cash Flows Proprietary Fund Type For the Year Ended June 30, 2000 (With Comparative Totals for 1999)

	<u>2000</u>	<u>1999</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$13,100,542	13,068,284
Cash payments to suppliers for goods and services	(5,592,651)	(5,408,470)
Cash payments to employees for services	<u>(4,890,580)</u>	<u>(5,038,446)</u>
Net cash provided by operating activities	\$ 2,617,311	\$ 2,621,368
<b>Cash flows from noncapital financing activities:</b>		
Cash received from general fund	107,199	481,372
Cash payments to capital projects fund	<u>-</u>	<u>(317,715)</u>
Net cash provided by noncapital financing activities	\$ 107,199	\$ 163,657
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(3,711,377)	(5,026,184)
Purchased capacity cost	(1,480,396)	(568,884)
Principal paid on general obligation bond maturities and equipment contracts	(810,797)	(1,449,861)
Interest paid on general obligation bonds and equipment contracts	(385,413)	(439,308)
Proceeds (including interest) from special assessments	357,918	366,689
Proceeds from the sale of bonds	<u>1,675,235</u>	<u>1,581,061</u>
Net cash used by capital and related financing activities	\$(4,354,830)	\$(5,536,487)
<b>Cash flows from investing activities - interest on investments</b>	<u>865,274</u>	<u>1,008,305</u>
Net (decrease) in cash and cash equivalents	\$ (765,046)	\$(1,743,157)
Cash and cash equivalents at beginning of year	<u>15,538,446</u>	<u>17,281,603</u>
Cash and cash equivalents at end of year	<u>\$14,773,400</u>	<u>\$15,538,446</u>

(Continued)

# CITY OF ROCKVILLE, MARYLAND

## Combined Statement of Cash Flows (Continued) Proprietary Fund Type For the Year Ended June 30, 2000 (With Comparative Totals for 1999)

### Reconciliation of Operating Income to Net Cash Provided by Operating Activities

	<u>2000</u>	<u>1999</u>
<b>Operating income</b>	\$ 561,047	\$ 99,092
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
Depreciation and amortization	1,795,579	1,814,711
Changes in assets and liabilities:		
Increase (decrease) in accounts receivable	71,430	(89,761)
(Increase) in other assets	-	(3,481)
Increase in accounts payable	298,042	474,548
Increase (decrease) in accrued liabilities	(88,454)	107,908
Increase (decrease) in deferred revenue	13,637	(16,735)
Increase (decrease) in retainages payable	(16,288)	234,336
Increase (decrease) in deposits and other liabilities	<u>(17,682)</u>	<u>750</u>
Total adjustments	<u>\$2,056,264</u>	<u>\$2,522,276</u>
<b>Net cash provided by operating activities</b>	<u><u>\$2,617,311</u></u>	<u><u>\$2,621,368</u></u>

See the accompanying notes to the general purpose financial statements.

# CITY OF ROCKVILLE, MARYLAND

## Combined Statement of Net Assets Pension Trust Funds June 30, 2000 (With Comparative Totals for 1999)

	2000			
	Defined Contribution Option	Defined Benefit Option	Total	1999
<u>Assets</u>				
Investments at fair value - equity in pooled pension trust fund	<u>\$5,188,759</u>	<u>\$42,526,721</u>	<u>\$47,715,480</u>	<u>\$47,512,113</u>
<u>Liabilities</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Net Assets</u>				
Available for plan benefits	<u>\$5,188,759</u>	<u>\$42,526,721</u>	<u>\$47,715,480</u>	<u>\$47,512,113</u>

See the accompanying notes to the general purpose financial statements.

# CITY OF ROCKVILLE, MARYLAND

## Combined Statement of Changes in Net Assets Pension Trust Funds For the Year Ended June 30, 2000 (With Comparative Totals for 1999)

	.....2000.....			
	Defined Contribution <u>Option</u>	Defined Benefit <u>Option</u>	<u>Total</u>	<u>1999</u>
<u>Additions</u>				
Contributions				
Employer	\$ 281,765	\$ 752,044	\$ 1,033,809	\$ 890,450
Plan members	<u>565,782</u>	<u>576,745</u>	<u>1,142,527</u>	<u>961,822</u>
Total contributions	<u>\$ 847,547</u>	<u>\$ 1,328,789</u>	<u>\$ 2,176,336</u>	<u>\$ 1,852,272</u>
Investment Income				
Net appreciation (deappreciation) in the fair value of plan investments	\$ -	\$ (1,756,038)	\$ (1,756,038)	\$ 2,864,776
Interest and dividends	<u>126,784</u>	<u>1,688,510</u>	<u>1,815,294</u>	<u>2,130,883</u>
Total investment income	<u>\$ 126,784</u>	<u>\$ (67,528)</u>	<u>\$ 59,256</u>	<u>\$ 4,995,659</u>
Total additions	<u>\$ 974,331</u>	<u>\$ 1,261,261</u>	<u>\$ 2,235,592</u>	<u>\$ 6,847,931</u>
<u>Deductions</u>				
Benefits	\$ -	\$ 1,347,839	\$ 1,347,839	\$ 1,165,172
Refunds to terminated employees	281,294	356,078	637,372	458,021
Administrative expense	<u>22,009</u>	<u>25,005</u>	<u>47,014</u>	<u>74,365</u>
Total deductions	<u>\$ 303,303</u>	<u>\$ 1,728,922</u>	<u>\$ 2,032,225</u>	<u>\$ 1,697,558</u>
Net increase (decrease)	671,028	(467,661)	203,367	5,150,373
Net assets available for plan benefits, July 1	<u>4,517,731</u>	<u>42,994,382</u>	<u>47,512,113</u>	<u>42,361,740</u>
Net assets available for plan benefits, June 30	<u>\$5,188,759</u>	<u>\$42,526,721</u>	<u>\$47,715,480</u>	<u>\$42,512,113</u>

See the accompanying notes to the general purpose financial statements.

# CITY OF ROCKVILLE, MARYLAND

## Notes to General Purpose Financial Statements June 30, 2000

### (1) Summary of Significant Accounting Policies

The City of Rockville, Maryland (the "City"), was incorporated in 1860. Its legal authority is derived from Article XI E of the State Constitution and Article 23A of the Annotated Code of Maryland. Rockville has an estimated population of 48,920 and a land area of 13.03 square miles. According to the 1990 census, Rockville is the second largest city in Maryland. The City has operated under the council-manager form of government since 1948. The City is a municipal corporation where the City Council is comprised of a mayor and four at-large members. Services provided include water, sewer, refuse, streets and drainage, recreation and parks, police, planning and zoning, community development, and community services. Schools, libraries, social services, and fire protection are provided by Montgomery County, Maryland.

#### A. Financial Reporting Entity

For financial reporting purposes, the general purpose financial statements include the various departments governed directly by the Mayor and Council. The City's officials are also responsible for appointing the board of directors of the Rockville Housing Authority, but the City's accountability does not extend beyond making the appointments.

#### B. Fund Accounting

The accounts of the City are organized into funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures (or expenses, as appropriate). Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be expended and the means by which spending activities are controlled. The following fund types and account groups are used by the City:

#### GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the City's governmental funds:

**General Fund** - The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by legal and regulatory provisions or budgeted contributions from outside sources to finance specific activities.

**Debt Service Fund** - The debt service fund, which includes special assessments, is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**Capital Projects Fund** - The capital projects fund is used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

#### PROPRIETARY FUNDS

**Enterprise Funds** - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs



# CITY OF ROCKVILLE, MARYLAND

## Notes to General Purpose Financial Statements June 30, 2000

### (1) Summary of Significant Accounting Policies (Continued)

#### B. Fund Accounting (Continued)

(expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

#### FIDUCIARY FUNDS

**Trust Fund** - The trust funds are used to account for assets held by the City in a trustee capacity.

The City's pension funds are included as a trust fund and accounts for the contributions made by the City and its employees to finance future pension payments. The funds are accounted for and reported in a manner similar to proprietary funds since capital maintenance is critical.

#### ACCOUNT GROUPS

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term debt. The following are the City's account groups:

**General Fixed Assets Account Group** - This account group is established to account for all fixed assets of the City, other than those accounted for in the enterprise funds.

**General Long-Term Debt Account Group** - This account group is established to account for all long-term debt of the City except that accounted for in the enterprise funds.

# CITY OF ROCKVILLE, MARYLAND

## Notes to General Purpose Financial Statements June 30, 2000

### (1) Summary of Significant Accounting Policies (Continued)

#### C. Bases of Accounting

##### GOVERNMENTAL FUND TYPES

The modified accrual basis of accounting is followed by the governmental funds, as well as the "current resources measurement focus." Under this method of accounting, revenue is recorded when susceptible to accrual, i.e., when measurable and available for the funding of current operations.

In applying the susceptible to accrual concept to real and personal property tax revenue recognition, "available" means property tax revenue is recognized currently if levied before fiscal year end and collected by intermediaries within 60 days after fiscal year-end. Such taxes levied but uncollected within 60 days after fiscal year-end are accounted for as deferred revenue as of June 30, 2000. The above treatment applies as well to assessments receivable. Assessments receivable result from special assessments levied against the property users who benefit from particular capital projects. Such revenues are accrued if they pertain to the current year and become available within 60 days after fiscal year-end. Assessments receivable (billed and unbilled) that are not available to fund current operations have been accounted for as deferred revenue.

Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues are recorded as revenues when cash is received because they are generally not measurable until that point.

Revenue from other governments which represent reimbursements for specific projects or programs are recognized based upon the expenditures recorded. Revenues from other governments received but not earned and the note receivable in the General Fund are recorded as deferred revenue. Other revenue from other governments are accrued if they pertain to the current year and become available within 60 days after fiscal year end. The county tax duplication payment represents Montgomery County, Maryland's payment for City services for which the county collects taxes.

Investment earnings are recognized as revenue as earned in all fund types.

Expenditures are recorded when the related fund liability is incurred except for debt service, which is recognized when due.

##### PROPRIETARY AND FIDUCIARY FUND TYPES

All proprietary funds and the pension trust funds follow the accrual basis of accounting, as well as the "economic resources measurement focus." Under this method of accounting, revenues are recognized when earned, and expenses are recorded when incurred. The revenue of the utility operations, which is based on service rates authorized by the Mayor and Council, is determined by quarterly billings for residential and most commercial accounts and by monthly billings for approximately 100 of the larger commercial accounts. Earned but unbilled revenues are accrued and reported in the financial statements.

In proprietary funds, governments may choose not to implement pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, (provided that this is applied on a consistent basis) or to continue to follow FASB standards for these fund types. The City has elected not to implement FASB pronouncements issued after that date for its proprietary fund type activities.

# CITY OF ROCKVILLE, MARYLAND

## Notes to General Purpose Financial Statements June 30, 2000

### (1) Summary of Significant Accounting Policies (Continued)

#### D. Budgetary Data

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to June 1, the city manager submits to the Mayor and Council a proposed operating and capital improvements budget for the fiscal year commencing July 1. The budget includes proposed expenditures and the means of financing them. Public hearings are then conducted to review the budget.
- Prior to July 1, the budget is legally enacted through passage of an ordinance.
- The budget ordinance becomes effective July 1 and provides spending authority for the operations of the city government. The legal control which the budget ordinance establishes over spending is at the fund level. Each of the general, special revenue, debt service and enterprise funds have legally adopted annual budgets appropriated at the fund level. The capital budget is adopted at the fund level but is not adopted as an annual budget.
- The city manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Mayor and Council.
- Subsequent to passage of the budget ordinance, the Mayor and Council may approve supplemental appropriations. During FY 2000, such supplemental appropriations for all funds amounted to \$4,576,431.

At the end of the fiscal year, unexpended operating budget appropriations of the governmental funds lapse. Budgets for the general, special revenue, debt service, and enterprise funds are adopted on a basis consistent with generally accepted accounting principles. Accordingly, all governmental fund budgets are presented on the modified accrual basis of accounting; the enterprise fund budgets are adopted on the full accrual basis. The combined statement of revenue, expenditures and changes in fund balances - revised budget and actual - general, special revenue, and debt service funds, presents actual expenditures on a basis consistent with the legally adopted budgets as amended.

#### E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is an extension of formal budgetary control in all governmental funds. The encumbrances outstanding at June 30, 2000, are reported as reservations of applicable fund balances and are subject to reappropriation by Council ordinance in the succeeding fiscal year.

# CITY OF ROCKVILLE, MARYLAND

## Notes to General Purpose Financial Statements June 30, 2000

### (1) Summary of Significant Accounting Policies (Continued)

#### F. Cash and Investments

To facilitate effective management of the City's resources, substantially all operating cash is combined in one pooled account. Pension trust fund assets are separately managed by the Principal Mutual Life Insurance Company. Pension trust fund investments are stated at fair value and short-term investments of one year or less included in the City's equity in pooled cash and cash equivalents are stated at amortized cost plus accrued interest. These short term investments include repurchase agreements and U.S. Treasury securities.

For purposes of the statement of cash flows, the proprietary fund type reflects all monies in the City's cash management pool as cash equivalents.

Interest income earned on City investments is allocated among the funds each month on a pro rata basis in accordance with average equity in pooled cash balances for the previous six months.

#### G. Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounts to \$699,597 at June 30, 2000, and is composed of the following:

General fund property taxes receivable	\$677,730
Enterprise fund utility billings receivable	21,867
	<u>\$699,597</u>

#### H. Inventory

All City inventories (included in other assets in the combined balance sheet) are maintained on a consumption basis of accounting and are valued at cost on a first-in, first-out basis and consist of either goods held for resale (Swim Center fund) or goods and materials used in providing services (general fund). Reservations of fund balances for the amounts of general fund inventories have been made to reflect the non-availability of those amounts for appropriation in the general fund.

#### I. General Fixed Assets

General fixed assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the governmental funds and capitalized at historical cost in the general fixed assets account group. Contributed fixed assets are recorded in the general fixed assets account group at fair market value at the time received. The City's public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks and lighting systems are not capitalized, as these assets are immovable and of value only to the City. No depreciation has been provided for general fixed assets.

#### J. Proprietary Fixed Assets

Fixed assets purchased by the proprietary fund type are stated at historical cost. Donated property is recorded at market value as of the date of donation. It is the City's policy to capitalize enterprise fund infrastructure consisting of water and sewer construction costs, in order to reflect the full asset base.

# CITY OF ROCKVILLE, MARYLAND

## Notes to General Purpose Financial Statements June 30, 2000

### (1) Summary of Significant Accounting Policies (Continued)

#### J. Proprietary Fixed Assets (Continued)

Depreciation has been recorded over the following estimated useful lives, using the straight line method:

<u>Description</u>	<u>Lives (In Years)</u>
Buildings and structures	40-50
Machinery and equipment	5-10
Furniture and fixtures	7-10
Automobiles and trucks	5-7
Water and sewer infrastructure	20-50
Storm water management facilities	20-50

Depreciation applicable to assets purchased with externally funded contributed capital is charged to operations and then transferred to contributed capital.

#### K. Purchased Capacity

Purchased capacity, which consists of payments made under an intermunicipal agreement with the District of Columbia Blue Plains Wastewater Treatment Plant (Blue Plains) for improvements to treatment facilities owned and operated by Blue Plains, is stated at historical cost. Amortization, which commences upon substantial completion of each project, is recorded over 50 years, the estimated useful life of the improvements.

#### L. Compensated Absences

Liabilities for compensated absences (annual and sick leave benefits) are accrued when vested. The current portion of the governmental funds' compensated absences liabilities is recorded as accrued liabilities in the general and special revenue funds. The noncurrent portion of such liabilities is \$1,451,048 at June 30, 2000, and is recorded in the general long-term debt account group. The total accrued liability for compensated absences for the enterprise funds is recorded separately in the respective funds.

#### M. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and employee health benefits.

The City participates in the Montgomery County Liability and Property Coverage self-insurance fund, under which participants share coverage for worker's compensation, comprehensive general, automobile and professional liability, fire and theft, and the liability for errors, omissions and other selected areas that require coverage. The Montgomery County Division of Risk Management is the administrator of the fund. The City pays an annual premium to Montgomery County for its insurance coverage.

The City continues to carry commercial insurance for employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

# CITY OF ROCKVILLE, MARYLAND

## Notes to General Purpose Financial Statements June 30, 2000

### (1) Summary of Significant Accounting Policies (Continued)

#### N. Total Columns on Combined Financial Statements

Total columns on the combined financial statements are captioned "memorandum only" to indicate that they are presented to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation.

#### O. Reclassifications

Certain reclassifications have been made to the June 30, 1999, comparative financial data to conform to the June 30, 2000, presentation.

### (2) Cash and Investments

The City maintains a cash and investment pool that is available for use by all of the City's funds, except the pension trust funds.

**Deposits** - At year-end, the carrying amount of the City's deposits was a deficit of \$929,478, and the bank balance was a deficit of \$344,558. The bank balance would normally be covered by federal depository insurance, but since there is a deficit balance, this does not apply.

**Investments** - The City is authorized to invest in any and all types of investments except where specifically prohibited by Maryland statutes. Maryland state law requires that all collateral be backed up by the full faith and credit of the federal government, including repurchase agreements which are supported by federal obligations.

The manager of the pension plan maintains the assets and invests them in pooled funds in accordance with contractual provisions. Accordingly, the investment amount of \$47,715,480 is not categorized below.

The City's remaining investments are summarized below by type and carrying amount at year-end. Such investments are insured or registered or the related securities are held by the City or its safekeeping agent in the City's name.

Repurchase agreements and U.S. Treasury securities	\$27,780,536
U. S. Treasury Bills	<u>398,807</u>
	<u>\$28,179,343</u>

# CITY OF ROCKVILLE, MARYLAND

## Notes to General Purpose Financial Statements June 30, 2000

### (3) Property Taxes

Taxes on real property and business personal property are levied on property values as assessed on January 1, billed on July 1, and payable either by September 30 or in two equal installments on September 30 and December 31. Montgomery County, Maryland, bills and collects property taxes for the City and remits cash collections to the City once a month. Property taxes are attached as an enforceable lien on the underlying properties as of the succeeding June 1 and are thereafter sold at public auction.

Real and personal property taxes are levied at rates enacted by the Mayor and Council in the annual budget ordinance on the assessed value as determined by the Maryland State Department of Assessments and Taxation. The rates of levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public hearings.

The real and personal property tax rate was \$.805 per \$100 of assessed value in fiscal year 2000. The City charges taxpayers interest (at the rate of 2/3 of 1 percent per month) and penalty (1 percent per month) on all overdue taxes.

### (4) Interfund Balances

The interfund receivables and payables as of June 30, 2000, consist of the following:

<u>Interfund Receivable-General Fund</u>	
<u>Interfund Payable</u>	<u>Total</u>
Special Revenue Fund:	
Swim Center Fund	\$276,131
Community Development Block Grant Fund	85,983
Capital Projects Fund	<u>170,548</u>
Total	<u>\$532,662</u>

### (5) Due From Other Governmental Units

Amounts due from other governmental units at June 30, 2000, include:

	<u>General Fund</u>
Federal Government	\$ 71,446
Maryland State Government	727,762
Montgomery County, Maryland	<u>388,612</u>
Total	<u>\$1,187,820</u>

At June 30, 2000, the General Fund receivables of \$1,187,820 due from other governments consisted primarily of personal, corporate, and real property taxes, gas and motor vehicle taxes, state income taxes, traders license fees, and admissions and amusement taxes and various grants.

### (6) Purchased Capacity

Purchased capacity consists of payments made under an intermunicipal agreement with Blue Plains for improvements to treatment facilities owned and operated by the District of Columbia. This agreement consists of two contracts, one substantially complete as of June 30, 1992, and the other contract estimated for completion by the year 2010 (see Note 13a).

# CITY OF ROCKVILLE, MARYLAND

## Notes to General Purpose Financial Statements June 30, 2000

### (6) Purchased Capacity (Continued)

Changes in purchased capacity are as follows:

	<u>Balance July 1, 1999</u>	<u>Additions</u>	<u>Amortization</u>	<u>Balance June 30, 2000</u>
Blue Plains	<u>\$10,744,236</u>	<u>\$1,480,397</u>	<u>\$22,131</u>	<u>\$12,202,502</u>

### (7) Fixed Assets

A summary of changes in the general fixed assets account group during 2000 follows:

	<u>Balance July 1, 1999</u>	<u>Additions</u>	<u>Capitalization of Completed Projects/Transfers</u>	<u>Disposals</u>	<u>Balance June 30, 2000</u>
Land	\$ 7,762,762	\$ -	\$ 135,336	\$ -	\$ 7,898,098
Buildings	8,301,811	-	1,231,819	-	9,533,630
Improvements other than buildings	2,597,636	-	2,312,307	-	4,909,943
Equipment	8,133,055	1,574,247	27,154	1,137,244	8,597,212
Construction in progress	<u>6,069,534</u>	<u>2,628,682</u>	<u>195,527</u>	<u>-</u>	<u>8,893,743</u>
Total	<u>\$32,864,798</u>	<u>\$4,202,929</u>	<u>\$3,902,143</u> <sup>1</sup>	<u>\$1,137,244</u>	<u>\$39,832,626</u>

A summary of proprietary fund type property, plant, and equipment at June 30, 2000 follows:

Land	\$ 2,055,099
Buildings	4,470,299
Improvements other than buildings	40,672,902
Equipment	4,024,979
Construction in progress	<u>7,912,668</u>
Total	\$59,135,947
Less - accumulated depreciation	<u>(23,793,802)</u>
Net	<u>\$35,342,145</u>

<sup>1</sup> See Footnote 11.



# CITY OF ROCKVILLE, MARYLAND

## Notes to General Purpose Financial Statements June 30, 2000

### (8) Long-term Debt

The following is a summary of changes in the City's long-term debt for the year ended June 30, 2000:

	Balance June 30, 1999	Additions/ Transfers	Change In Accrued Obligations for Compensated Absences	Principal Payments	Net Amortization of Bond Discount	Balance June 30, 2000	Remaining Unamortized Bond Discount June 30, 2000
<b><u>General Long-Term Debt</u></b>							
<b><u>Account Group</u></b>							
General obligation bonds	\$22,753,062	\$1,324,740	\$ -	\$3,014,496	\$ -	\$21,063,306	\$ -
Accrued obligations for compensated absences	<u>1,332,088</u>	<u>-</u>	<u>118,960</u>	<u>-</u>	<u>-</u>	<u>1,451,048</u>	<u>-</u>
Total general long-term debt	<u>\$24,085,150</u>	<u>\$1,324,740</u>	<u>\$118,960</u>	<u>\$3,014,496</u>	<u>\$ -</u>	<u>\$22,514,354</u>	<u>\$ -</u>
<b><u>Enterprise Funds</u></b>							
Water facility fund	\$ 4,068,036	\$1,675,235	\$ -	\$ 294,783	\$12,035	\$ 5,460,523	\$ 74,329
Sanitary sewer fund	3,567,324	-	-	449,039	16,223	3,134,508	122,816
Municipal Swim Center	290,260	(301,101)	-	-	10,841	-	-
Mortgage notes (secured by real estate) for RedGate Golf Course	<u>66,975</u>	<u>-</u>	<u>-</u>	<u>66,975</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total enterprise funds	<u>\$ 7,992,595</u>	<u>\$1,374,134</u>	<u>\$ -</u>	<u>\$ 810,797</u>	<u>\$39,099</u>	<u>\$ 8,595,031</u>	<u>\$197,145</u>

# CITY OF ROCKVILLE, MARYLAND

## Notes to General Purpose Financial Statements June 30, 2000

### (8) Long-term Debt (Continued)

The following is a list of the bonds and notes included in the City's long-term debt at June 30, 2000:

<u>Description</u>	<u>Year of Issuance</u>	<u>Series</u>	<u>Outstanding Principal</u>	<u>Interest Rate Range</u>	<u>Year of Final Maturity</u>
<u>General Long-Term Debt</u>					
Town Center parking facility	1971	-	\$ 570,000	4.0 -6.0%	2001
General improvements	1980	A	81,200	5.75-7.75%	2001
General improvements	1991	-	882,050	5.5-7.0%	2002
General improvements	1993	-	11,057,733	4.5-5.25%	2012
General improvements	1993	-	1,950,000	4.5-5.25%	2013
Note payable	1995	-	1,500,000	-	2001
General improvements	1998	-	1,660,000	3.5-4.3%	2013
General improvements	1998	-	1,903,027	3.7-3.95%	2002
General improvements - Equipment	1999	-	517,041	4.17-4.53%	2006
General improvements - Equipment	2000	-	<u>942,255</u>	4.17-4.53%	2007
Total general long-term debt			<u>\$21,063,306</u>		
<u>Enterprise Funds</u>					
General improvements	1980	A	\$ 208,800	5.75 - 7.75%	2001
General improvements - Water	1991	-	117,951	5.5-7.0%	2002
General improvements - Water	1993	-	1,185,000	4.5-5.25%	2013
General improvements	1993	-	4,417,267	4.5-5.25%	2012
General improvements	1998	-	191,973	3.7-3.95%	2002
General improvements	1998	-	<u>2,671,185</u>	3.21%	2019
Total enterprise funds long-term debt			<u>\$ 8,792,176<sup>2</sup></u>		

The City anticipates that all amounts required for payment of interest and principal on enterprise fund debt will be provided from the respective fund's revenues and that amounts required for payment of interest and principal on special assessment general improvement bonds will be provided from the collection of assessments levied against property owners; however, the bonds are further secured by the full faith and credit and unlimited taxing power of the City. At June 30, 2000, the balance of general obligation debts to be paid from special assessments contained in the general long-term debt account group and the enterprise funds amounted to \$81,200 and \$208,800, respectively (1980A).

<sup>2</sup> Amount does not include unamortized bond discount of \$197,145

# CITY OF ROCKVILLE, MARYLAND

## Notes to General Purpose Financial Statements June 30, 2000

### (8) Long-Term Debt (Continued)

Debt service requirements on the foregoing debt are payable during future years as follows:

#### General Long-Term Debt Service Requirements

Fiscal Year Ending June 30	<u>General Obligation Bonds</u>		Total General Long-Term Debt Principal and Interest
	<u>Principal</u>	<u>Interest</u>	
2001	\$ 4,459,175	\$ 898,783	\$ 5,357,958
2002	2,262,326	767,443	3,029,769
2003	1,910,375	668,987	2,579,362
2004	1,902,645	582,662	2,485,307
2005	1,934,565	494,918	2,429,483
2006	1,955,897	405,218	2,361,115
2007	1,908,452	312,952	2,221,404
2008	1,884,901	223,828	2,108,729
2009	744,403	132,633	877,036
2010	744,013	96,530	840,543
2011	520,565	61,083	581,648
2012	521,118	35,380	556,498
2013	314,871	14,970	329,841
Total	<u>\$21,063,306</u>	<u>\$4,695,387</u>	<u>\$25,758,693</u>

# CITY OF ROCKVILLE, MARYLAND

## Notes to General Purpose Financial Statements June 30, 2000

### (8) Long-Term Debt (Continued)

#### Enterprise Funds Debt Service Requirements

Fiscal Year Ending June 30	Water Facility		Sanitary Sewer		Total Enterprise Funds
	Principal	Interest	Principal	Interest	Principal and Interest
2001	\$ 429,409	\$ 238,811	\$ 387,909	\$ 153,035	\$1,209,164
2002	330,301	215,725	276,952	138,989	961,967
2003	389,417	203,147	364,010	127,733	1,084,307
2004	391,703	186,976	363,722	111,527	1,053,928
2005	402,316	170,253	368,436	94,673	1,035,678
2006	414,984	152,686	375,568	76,989	1,020,227
2007	426,049	134,159	381,000	58,555	999,763
2008	439,073	114,862	387,056	39,464	980,455
2009	262,577	94,585	178,257	19,432	554,851
2010	266,137	83,820	174,414	9,716	534,087
2011	263,493	73,012	-	-	336,505
2012	267,564	62,108	-	-	329,672
2013	243,576	52,050	-	-	295,626
2014	158,381	42,399	-	-	200,780
2015	163,465	37,315	-	-	200,780
2016	168,712	32,069	-	-	200,781
2017	174,127	26,653	-	-	200,780
2018	179,717	21,063	-	-	200,780
2019	163,851	15,292	-	-	179,143
Total	<u>\$5,534,852</u>	<u>\$1,956,985</u>	<u>\$3,257,324</u>	<u>\$830,113</u>	<u>\$11,579,274</u>

Note: Principal amounts do not include unamortized bond discount of \$197,145.

### (9) Defeasance of Debt

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2000, \$16,855,000 of bonds outstanding are considered defeased, \$4,258,800 pertaining to bonds that were accounted for in an enterprise fund, and \$12,596,200 relating to general obligations that were accounted for within the general long-term debt account group. In accordance with the applicable bond indentures, the trustees will continue to extinguish the defeased debt until 2011.

# CITY OF ROCKVILLE, MARYLAND

## Notes to General Purpose Financial Statements June 30, 2000

### (10) Contributed Capital

A summary of changes in the Enterprise Funds' Contributed Capital is as follows:

	Water Facility Fund	Sanitary Sewer Fund	Storm Water Management Fund	RedGate Golf Course Fund	Total
<u>Contributed Capital</u>					
Balance, July 1, 1999	\$8,340,385	\$7,190,203	\$7,711,959	\$1,047,561	\$24,290,108
Less depreciation charged directly against contributed capital	<u>187,972</u>	<u>158,177</u>	<u>56,081</u>	<u>-</u>	<u>402,230</u>
Balance, June 30, 2000	<u>\$8,152,413</u>	<u>\$7,032,026</u>	<u>\$7,655,878</u>	<u>\$1,047,561</u>	<u>\$23,887,878</u>

### (11) Fund Balances

Fund balance reserved for encumbrances and inventory are described in note one. The reserve for pension plan benefits reflects the segregation of these amounts in separate trust funds. The reserve for advance represents contractual obligations.

An insurance deposit which enables the City to participate in the Montgomery County Self Insurance program is reserved in recognition of the fact that this amount is not currently available for appropriation. This amount is included in other assets on the combined balance sheet.

Debt Payment - These monies are reserved for 12 months of principal and interest payments of the Enterprise Funds.

Debt Service - These monies are reserved for future debt payments.

Future Expenditures - These monies are designated for expenditures and capital projects which have been approved by the Mayor and Council for FY01 and beyond.

On July 1, 1999, the City reclassified the Swim Center Fund as a Special Revenue Fund. A residual equity transfer in the amount of \$243,722 was recorded as follows:

\$ (578,710)	Swim Center Fund - Special Revenue
3,902,143	General Fixed Assets Account Group
(301,101)	General Long-Term Debt Account Group
<u>(2,778,610)</u>	Write-off - Unamortized Bond Discount and Contributed Capital
<u>\$ 243,722</u>	Total residual equity transfer

The Capital Projects Fund has an accumulated fund balance deficit at June 30, 2000 of \$787,751, which will be funded in FY 01 with the issuance of general obligation bonds. Also, the Swim Center Fund, a Special Revenue Fund, has an accumulated deficit at June 30, 2000 of \$578,346, which will be funded in future years through increased user charges at the swim center and through receipt of General Fund subsidies.

# CITY OF ROCKVILLE, MARYLAND

## Notes to General Purpose Financial Statements June 30, 2000

### (12) Segment Information for Enterprise Funds

The City maintains six enterprise funds. Four are utility funds which provide water, sewer, refuse, and storm water management. The Parking fund accounts for present and future parking needs for the City's Town Center. The other fund is the Golf Course fund which accounts for income from the City golf course and related expenses. Selected financial data, as of and for the year ended June 30, 2000, for these funds is shown below.

	<u>Enterprise Funds</u>						
	<u>Water Facility Fund</u>	<u>Sanitary Sewer Fund</u>	<u>Refuse Fund</u>	<u>Storm Water Management Fund</u>	<u>Parking Fund</u>	<u>RedGate Golf Course Fund</u>	<u>Total</u>
Charges for services	\$ 2,698,122	\$ 4,495,867	\$2,843,819	\$ 1,257,815	\$209,910	\$ 949,164	\$12,454,697
Depreciation and amortization	798,532	497,377	248,766	78,873	-	172,031	1,795,579
Operating income (loss)	(350,708)	1,085,149	(900,519)	683,890	183,797	(140,562)	561,047
Total nonoperating income (expenses)	8,986	(81,113)	140,845	348,676	5,379	15,676	438,449
Operating transfers in	-	-	36,792	-	70,407	-	107,199
Net income (loss)	(341,722)	1,004,036	(722,882)	1,032,566	189,176	(54,479)	1,106,695
Fixed asset additions and deletions, net	1,037,818	1,073,450	796,631	198,136	-	491,063	3,597,098
Total assets	22,776,457	24,456,213	3,760,878	11,174,716	211,939	2,879,645	65,259,848
Net working capital	3,097,425	88,593	2,186,623	7,510,106	211,649	(88,264)	13,006,132
Bonds and other long- term liabilities payable from revenue	5,031,114	2,746,599	-	-	-	-	7,777,713
Total equity	16,541,235	19,480,129	3,475,310	11,127,491	211,649	2,729,669	53,565,483

# CITY OF ROCKVILLE, MARYLAND

## Notes to General Purpose Financial Statements June 30, 2000

### **(13) Commitments**

#### **(a) Washington Suburban Sanitary Commission (WSSC)**

The City has contracted with the WSSC to purchase a portion of the capacity of the Blue Plains Waste Water Treatment Plant. Through June 30, 2000, the City had paid \$12,379,550 as its contractual share of the construction costs of the treatment facility and the related sewer transmission lines. The City's remaining contribution through the completion of the project is estimated to be \$14,432,204 for treatment capacity. The City intends to issue bonds to fund most of these costs.

The City has no direct ongoing equity interest in WSSC's assets and liabilities. Furthermore, the City has no significant influence over the management of the treatment facilities. Accordingly, the City does not record this contractual arrangement as a joint venture.

In addition to the capacity cost described above, the WSSC charges the City a portion of its operating costs for treatment of sewage. The City accrues an amount for these charges each year based on its best estimate of usage. Adjustments to the accrued charges which result from subsequent billings by the WSSC are recorded in the period during which the final bill is received by the City.

#### **(b) Post-Employment Benefits**

In addition to the pension benefits described in Note 15, the City provides post-employment health benefits. The pension plan, under the direction of the Retirement Board, authorizes a retiree who elects to stay with the City's policy group to receive from the City the employer's share (i.e., the same level of premium support given to current employees) of medical insurance premiums up until age 65. In the event a retiree establishes residency outside the geographic area served by the City's group health insurance carriers, that person may purchase coverage and receive reimbursement from the City in an amount not to exceed the prevailing two-person coverage employer rate granted to current employees. The pension plan stipulates that eligible retirees from the administrative and union employee groups shall include those who (a) retire, having attained age 60 while employed with the City and who have completed at least 10 years of service prior to retirement, (b) take early retirement occasioned by poor health, having attained age 50 while employed with the City and having completed 10 years of service, or (c) take early retirement from the City when their age plus service equals or exceeds 85. Eligible police retirees are those who have met the conditions stated above or who have attained their normal retirement date on the first day of the month coinciding with or following the earlier of (a) the employee's 60th birthday or (b) the later of the employee's 51st birthday and completion of 25 years of credited service. Currently, the City finances the post employment health insurance benefits on a pay-as-you-go basis and expenditures for these insurance premiums are recorded in the General Fund. During fiscal year 2000, 32 retirees received post-employment health benefits. Expenditures of approximately \$48,000 were incurred by the City in furnishing these benefits.

### **(14) Litigation**

The City is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of its operations. The total amount of pending lawsuits and claims not covered by insurance nor expressly provided for in these statements is considered to be immaterial.

### **(15) Pension Plan**

The City employees participate in one single-employer defined benefit pension plan and one defined contribution pension plan. The Retirement Board has the authority to establish and amend the benefit provisions of the pension plans including contribution requirements of the employees and employer.

# CITY OF ROCKVILLE, MARYLAND

## Notes to General Purpose Financial Statements June 30, 2000

### (15) Pension Plan (Continued)

The Principal Mutual Life Insurance Company is the administrator of the single-employer defined benefit plan and defined contribution plan, which was established and is administered by the City of Rockville. The Public Employee Retirement System (PERS) is considered part of the City of Rockville reporting entity and is included in the City's financial reports as pension trust funds. The plans do not issue separate financial statements

#### A. Plan Description

The PERS has a defined benefit option and a defined contribution option, which report as separate pension trust funds.

##### (1) Defined Benefit Option

This option is available to police employees, which participate 100 percent in the defined benefit option regardless of the date of employment and non-police employees who were members of the plan as of April 14, 1986. All benefits vest after 10 years of credited service. An employee who retires at age 60 or a police employee with the completion of 25 years of credited service regardless of age is entitled to an annual retirement benefit, payable monthly for life (120 payments are guaranteed), for union employees in an amount equal to 1.8 percent of his/her final average salary, for each year of credited service, for administrative personnel in an amount equal to 1.8 percent before April 1, 1996, and 2.0 percent on or after April 1, 1996, of his/her final average salary, for each year of credited service and for police personnel in an amount equal to the lesser of (a) 2.0 percent of his/her final average earnings multiplied by his/her years of credited service, and (b) 60 percent of his/her final average earnings. Final average salary for administrative personnel and union employees is computed as the average earnings over three consecutive years within the last 10 years of service which produces the highest average and for police employees the average annual earnings is computed as the average annual earnings during the final 60 months of employment with the City.

Covered police and pre-1986 non-police employees are required by statute to contribute a certain percent (4.2 percent for union, 5.2 percent for administrative and 8.5 percent for police) of their salaries to the plan. If an employee leaves covered employment or dies before 10 years of credited service (based upon a graduated vesting schedule of 50 percent after five years, up to 100 percent after 10 years of credited service), accumulated employee contributions plus credited interest thereon at the rate of 6 percent and a portion of the City's contribution (City contributions are deemed to be 150 percent of the employees contributions plus credited interest) are paid to the employee or designated beneficiary.

This option also is available to full-time, permanent, non-police employees hired on or after April 15, 1986. These employees also are covered by the defined contribution option described below. Employees are required to participate from the date of employment. Union employees are covered for an annual benefit equal to 1 percent of average salary and administrative personnel are covered for an annual benefit equal to 1.0 percent before April 1, 1996, and 1.2 percent on or after April 1, 1996, of average salary (as previously defined) for each year of credited service. Administrative personnel are required by statute to contribute 1 percent of their salaries to the plan starting April 1, 1996. Employees are vested 100% after 10 years of service.

##### (2) Defined Contribution Option

Full-time, permanent non-police employees hired on or after April 15, 1986, are required to participate in this option from the date of employment. The plan allows contributions up to a maximum of 5 percent of earnings. The employee contributions are matched \$.50 by the City for each \$1 contributed by the employee. The employee is fully vested in his/her employee contributions and investment earnings thereon. The City's contribution for each employee (City's contributions and investment earnings thereon) is partially vested after three years and fully vested after seven years of credited service. Employees attaining the age of 60 become fully vested regardless of the number of years of credited service. The contributions actually made in FY 00 for plan members were \$565,782 and the City contributed \$281,765.



# CITY OF ROCKVILLE, MARYLAND

## Notes to General Purpose Financial Statements

June 30, 2000

### (15) Pension Plan (Continued)

#### A. Plan Description (Continued)

Membership in the defined benefit plan consisted of the following at April 1, 2000, the date of the latest actuarial valuation.

Retirees and beneficiaries receiving payments	99
Terminated plan members entitled to but not yet receiving payments	66
Active plan members	<u>463</u>
Total	<u>628</u>

#### B. Funding Policy and Annual Pension Cost - Defined Benefit Option

The employee contribution requirements for the plan are set by the Retirement Board. The City's annual contribution is based on annual actuarial valuations.

Contribution rates	
City	5.22%-6.21%
Plan members	0.00%-8.50%
Annual pension cost	\$1,040,585
Contributions made	\$1,040,585
Actuarial valuation date	4/1/00
Actuarial cost method	Entry age normal
Amortization method	N/A
Remaining amortization period	0 years
Asset valuation method	
Fixed income assets	Contract basis
United States Stock	Four years smoothed market
Actuarial assumptions	
Investment rate of return	7.75%
Projected salary increases	3.88%-8.10%
Includes inflation at	3.00%
Cost of living adjustments	0.00%

The PERS funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The actuarial assumptions used to compute the required contribution amount are the same as those used to compute the pension benefits earned. The rate for the City's employee group as a whole has tended to remain level as a percentage of annual covered payroll. The contribution rate for normal cost is determined using the credited projected benefits actuarial funding method with proration based on service.

#### C. Historical Trend Information - Defined Benefit Option

Historical trend information about pension plans is presented herewith as required supplementary information. This information is intended to help users assess pension plan funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems. The amount shown in the historical trend information as the "actuarial accrued liability" is a measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. Annual pension costs equal the employer's annual required contributions for all disclosed fiscal years.

# CITY OF ROCKVILLE, MARYLAND

Notes to General Purpose Financial Statements  
June 30, 2000

## (15) Pension Plan (Continued)

### C. Historical Trend Information - Defined Benefit Option (Continued)

#### 1) Schedule of Funding Progress (Unaudited)

Actuarial Valuation Date <u>April 1</u>	(A) Actuarial Value of <u>Assets</u>	(B) Actuarial Accrued Liability (AAL) <u>Entry Age</u>	(A-B) Funded AAL <u>(FAAL)</u>	(A/B) Funded Ratio	(C) Covered <u>Payroll</u>	((A-B)/C) FAAL as a percentage <u>of Covered Payroll</u>
1995	\$26,140,279	\$22,604,968	\$3,535,311	115.6%	\$13,242,059	26.7%
1996	28,630,922	24,303,080	4,327,842	117.8	14,136,861	30.6
1997	31,166,006	25,764,412	5,401,594	121.0	14,087,288	38.3
1998	35,031,665	27,810,959	7,220,706	126.0	15,801,941	45.7
1999	39,139,715	29,550,412	9,589,303	132.5	17,111,645	56.0
2000	42,656,509	31,873,609	10,782,900	133.8	18,688,532	57.7

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, and funded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the City's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the PERS. Trends in the funded actuarial accrued liability and covered payroll are both affected by inflation. Expressing the funded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the City's progress made in accumulating sufficient assets to pay benefits when due. Generally, the greater this percentage, the stronger the PERS.

#### 2) Schedule of Employer Contributions (1995-2000)

<u>Plan Year Ending April 1</u>	<u>Contribution</u>	<u>Contributed</u>
1995	\$ 628,990	100.0 %
1996	573,504	100.0
1997	728,264	100.0
1998	815,280	100.0
1999	930,662	100.0
2000	1,040,585	100.0

Note: Contributions have been made in accordance with actuarially determined requirements which have been computed each year.

## (16) New Governmental Accounting Standards Board (GASB) Standards

Statement No. 34, "Basic Financial Statements – and Management Discussion and Analysis – For State and Local Governments", issued June 1999 will be effective for the City of Rockville for the fiscal year ending June 30, 2003. Statement No. 34 imposes new standards for financial reporting. Management has not yet completed their assessment of the statement, however, it will have a material effect on the overall financial statement preparation of the City of Rockville.

# **General Fund**

The General Fund is the principal fund of the City and is used to account for all activities of the City not included in other specified funds. The General Fund accounts for the normal recurring activities of the City (i.e., police, recreation, public works, general government, etc.). These activities are funded principally by property taxes on individuals and businesses and grants from other governmental units.



## CITY OF ROCKVILLE, MARYLAND

Balance Sheet  
General Fund  
June 30, 2000  
(With Comparative Totals for 1999)

<u>Assets</u>	<u>2000</u>	<u>1999</u>
Equity in pooled cash and cash equivalents	\$ 9,223,176	\$ 9,867,432
Property taxes receivable, net	356,798	1,090,325
Accounts receivable, net	154,582	177,991
Interfund receivable	532,662	463,752
Due from other governments	1,187,820	2,177,750
Other assets	935,299	652,901
Note receivable	<u>660,000</u>	<u>660,000</u>
Total assets	<u>\$13,050,337</u>	<u>\$15,090,151</u>
 <u>Liabilities and Fund Balance</u>		
<u>Liabilities</u>		
Accounts payable	\$ 709,866	\$ 588,873
Accrued liabilities	738,820	1,173,129
Deferred revenue	1,472,327	2,208,661
Deposits	<u>384,723</u>	<u>360,742</u>
Total liabilities	\$ 3,305,736	\$ 4,331,405
<u>Fund Balance</u>		
Reserved for encumbrances	267,888	1,080,405
Reserved for self insurance deposit	261,393	261,394
Reserved for inventory	262,146	225,407
Reserved for advance	350,000	100,000
Unreserved:		
Designated for future expenditures	1,823,671	175,199
Undesignated	<u>6,779,503</u>	<u>8,916,341</u>
Total fund balance	<u>\$ 9,744,601</u>	<u>\$10,758,746</u>
Total liabilities and fund balance	<u>\$13,050,337</u>	<u>\$15,090,151</u>

## CITY OF ROCKVILLE, MARYLAND

Statement of Revenue, Expenditures, and Changes in Fund Balance  
Revised Budget (GAAP Basis) and Actual - General Fund  
For the Year Ended June 30, 2000  
(With Comparative Totals for 1999)

	.....2000.....		Variance	
	Revised	Actual	Favorable	1999
	Budget		(Unfavorable)	Actual
<u>Revenue</u>				
<u>Property Taxes</u>				
Real Property	\$14,312,086	\$14,235,570	\$ (76,516)	\$13,910,534
Business and other property	<u>3,077,515</u>	<u>3,093,691</u>	<u>16,176</u>	<u>3,357,836</u>
Total property taxes	\$17,389,601	\$17,329,261	\$ (60,340)	\$17,268,370
<u>Revenue from Other Governments</u>				
Income taxes	5,447,040	4,867,201	(579,839)	5,138,028
Gas and motor vehicle taxes	2,075,939	2,263,596	187,657	2,203,406
County tax duplication payment	1,415,000	1,334,996	(80,004)	1,416,569
Admissions and amusement taxes	810,000	856,964	46,964	709,050
Public protection grant	769,680	851,758	82,078	752,433
Youth services grant	103,143	112,374	9,231	130,001
Cable television franchise fee	294,493	302,311	7,818	290,611
Other governmental revenue	<u>124,846</u>	<u>49,745</u>	<u>(75,101)</u>	<u>56,201</u>
Total governmental revenue	\$11,040,141	\$10,638,945	\$(401,196)	\$10,696,299
Licenses and permits	1,206,250	1,645,335	439,085	1,129,716
<u>Charges for Services</u>				
Recreation fees	2,040,638	1,894,500	(146,138)	1,981,059
Road permit fees	468,000	715,309	247,309	383,723
Other	<u>308,663</u>	<u>381,768</u>	<u>73,105</u>	<u>251,300</u>
Total charges for services	\$ 2,817,301	\$ 2,991,577	\$ 174,276	\$ 2,616,082
<u>Use of Money and Property</u>				
Interest income	615,000	711,246	96,246	710,528
Rental income	<u>354,166</u>	<u>453,454</u>	<u>99,288</u>	<u>353,615</u>
Total revenue from use of money and property	\$ 969,166	\$ 1,164,700	\$ 195,534	\$ 1,064,143
Fines and forfeitures	12,200	13,224	1,024	131,111
Other Revenue	<u>1,222,840</u>	<u>1,379,432</u>	<u>156,592</u>	<u>1,008,633</u>
Total revenue	\$34,657,499	\$35,162,474	\$ 504,975	\$33,914,354

(Continued)

## CITY OF ROCKVILLE, MARYLAND

Statement of Revenue, Expenditures, and Changes in Fund Balance  
 Revised Budget (GAAP Basis) and Actual - General Fund  
 For the Year Ended June 30, 2000  
 (With Comparative Totals for 1999)

	.....2000.....			
	Revised <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	1999 <u>Actual</u>
<u>Expenditures</u>				
<u>General Government</u>				
Mayor and Council	\$ 442,258	\$ 434,440	\$ 7,818	\$ 393,904
City Manager	1,201,643	1,197,316	4,327	919,077
City Attorney	620,373	620,634	(261)	530,045
Finance and Information and Technology	3,465,524	3,210,550	254,974	2,682,239
Graphics and printing services	690,279	652,708	37,571	650,774
Other	1,150,436	1,126,160	24,276	1,204,748
Total general government	<u>\$ 7,570,513</u>	<u>\$ 7,241,808</u>	<u>\$ 328,705</u>	<u>\$ 6,380,787</u>
Community Development-Planning	1,071,307	867,840	203,467	1,057,886
Community Services	702,170	686,649	15,521	692,447
<u>Public Safety</u>				
Police	4,012,325	3,899,164	113,161	3,613,387
Licenses and inspections	1,557,938	1,537,037	20,901	1,110,964
Animal control	204,988	178,246	26,742	197,709
Total public safety	<u>\$ 5,775,251</u>	<u>\$ 5,614,447</u>	<u>\$ 160,804</u>	<u>\$ 4,922,060</u>
Public works	4,539,971	4,410,505	129,466	4,488,229
Recreation and parks	9,714,541	9,111,957	602,584	8,542,658
Nondepartmental	<u>2,558,319</u>	<u>1,815,626</u>	<u>742,693</u>	<u>1,566,781</u>
Total expenditures	<u>\$31,932,072</u>	<u>\$29,748,832</u>	<u>\$2,183,240</u>	<u>\$27,650,848</u>
Excess of revenue over expenditures	\$ 2,725,427	\$ 5,413,642	\$2,688,215	\$ 6,263,506

(Continued)

## CITY OF ROCKVILLE, MARYLAND

Statement of Revenue, Expenditures, and Changes in Fund Balance  
Revised Budget (GAAP Basis) and Actual - General Fund  
For the Year Ended June 30, 2000  
(With Comparative Totals For 1999)

	.....2000.....			
	Revised <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	1999 <u>Actual</u>
<u>Other Financing Sources (Uses)</u>				
Transfer out to capital projects fund	\$(3,000,000)	\$(3,000,000)	\$ -	\$(3,700,000)
Transfer out to debt service fund	(3,282,457)	(3,282,457)	-	(3,309,156)
Transfer out to redgate golf course fund	(70,407)	(70,407)	-	(70,408)
Transfer out to swim center fund	-	-	-	(128,944)
Transfer out to refuse fund	(36,792)	(36,792)	-	(36,792)
Transfer out to parking fund	-	-	-	(21,465)
Transfer out to special activities fund	(38,131)	(38,131)	-	(19,000)
Proceeds from sale of general obligation bonds	-	-	-	698,000
Total other financing uses	<u>\$(6,427,787)</u>	<u>\$(6,427,787)</u>	<u>\$ -</u>	<u>\$(6,587,765)</u>
Net decrease in fund balance	<u>\$(3,702,360)</u>	<u>\$(1,014,145)</u>	<u>\$ 2,688,215</u>	<u>\$ (324,259)</u>



## **Special Revenue Funds**

Special Revenue Funds accounts for the proceeds of specific revenue sources to be expended for specified purposes. The City maintains four funds: the Community Development Block Grant Fund, the Special Activities Fund, the Property Management Fund, and the Swim Center Fund. The Community Development Block Grant Fund accounts for federal grants for housing and community development programs. The Special Activities Fund accounts for funds raised for various community activities (i.e. Rockville Seniors Inc., mansion improvements, bike program, telecommunications improvements, etc). The Property Management Fund is a land use fund and accounts for the expenses incurred with the development and sale of land within the City's redevelopment areas and for the revenue from its sale. The Swim Center Fund accounts for the operating costs for the municipal swim center.



## CITY OF ROCKVILLE, MARYLAND

Combining Balance Sheet  
Special Revenue Funds  
June 30, 2000

	Property Management Fund	Swim Center Fund	Community Special Activities Fund	Development Block Grant Fund	Total
<u>Assets</u>					
Equity in pooled cash and cash equivalents	\$209,980	\$ -	\$215,799	\$ -	\$ 425,779
Accounts receivable, net	522,710	-	2,045	97,013	621,768
Other assets	<u>545</u>	<u>5,155</u>	<u>493</u>	<u>-</u>	<u>6,193</u>
Total assets	<u>\$733,235</u>	<u>\$ 5,155</u>	<u>\$218,337</u>	<u>\$97,013</u>	<u>\$1,053,740</u>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accounts payable	\$ -	\$ 27,500	\$ 4,846	\$ 4,730	\$ 37,076
Interfund payable	-	276,131	-	85,983	362,114
Accrued liabilities	-	44,524	-	-	44,524
Deferred revenue	522,360	235,246	-	-	757,606
Other	<u>-</u>	<u>100</u>	<u>3,000</u>	<u>6,300</u>	<u>9,400</u>
Total liabilities	\$522,360	\$ 583,501	\$ 7,846	\$97,013	\$1,210,720
<u>Fund Balance</u>					
Unreserved:					
Designated for future Expenditures	117,000	-	-	-	117,000
Undesignated	<u>93,875</u>	<u>(578,346)</u>	<u>210,491</u>	<u>-</u>	<u>(273,980)</u>
Total fund balance	<u>\$210,875</u>	<u>\$(578,346)</u>	<u>\$210,491</u>	<u>\$ -</u>	<u>\$ (156,980)</u>
Total liabilities and fund balance	<u>\$733,235</u>	<u>\$ 5,155</u>	<u>\$218,337</u>	<u>\$97,013</u>	<u>\$1,053,740</u>

## CITY OF ROCKVILLE, MARYLAND

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
Special Revenue Funds  
For the Year Ended June 30, 2000

	Property Management Fund	Swim Center Fund	Special Activities Fund	Community Development Block Grant Fund	Total
<u>Revenue</u>					
Grant revenue	\$ -	\$ -	\$ -	\$303,854	\$ 303,854
Charges for services	-	910,134	-	-	910,134
Use of money and property	7,078	-	6,945	-	14,023
Other	<u>126,540</u>	<u>1,127</u>	<u>151,560</u>	<u>-</u>	<u>279,227</u>
Total revenue	\$133,618	\$911,261	\$158,505	\$303,854	\$1,507,238
<u>Expenditures</u>					
Community development block grant	-	-	-	303,854	303,854
Community services	-	-	84,482	-	84,482
Operating expenditures	-	910,897	-	-	910,897
Other	<u>669</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>669</u>
Total expenditures	<u>\$ 669</u>	<u>\$ 910,897</u>	<u>\$ 84,482</u>	<u>\$303,854</u>	<u>\$1,299,902</u>
Excess (deficiency) of revenue over expenditures	\$132,949	\$ 364	\$ 74,023	\$ -	\$ 207,336
<u>Other Financing Sources</u>					
Transfer from general fund	<u>-</u>	<u>-</u>	<u>38,131</u>	<u>-</u>	<u>38,131</u>
Total other financing sources	<u>\$ -</u>	<u>-</u>	<u>\$ 38,131</u>	<u>\$ -</u>	<u>\$ 38,131</u>
Excess of revenue and other financing sources over expenditures	\$132,949	\$ 364	\$112,154	\$ -	\$ 245,467
Fund balance at beginning of year	77,926	-	98,337	-	176,263
Residual equity transfer	<u>-</u>	<u>(578,710)</u>	<u>-</u>	<u>-</u>	<u>(578,710)</u>
Fund balance at end of year	<u>\$210,875</u>	<u>\$(578,346)</u>	<u>\$210,491</u>	<u>\$ -</u>	<u>\$ (156,980)</u>

## CITY OF ROCKVILLE, MARYLAND

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
Revised Budget (GAAP Basis) and Actual - Special Revenue Funds  
For the Year Ended June 30, 2000

	Property Management Fund	Swim Center Fund	Special Activities Fund	Community Development Block Grant Fund	Total	Variance Favorable (Unfavorable)
	Revised Budget	Actual	Revised Budget	Actual	Revised Budget	Actual
<b>Revenue</b>						
Grant revenue	\$ -	\$ -	\$ -	\$ -	\$ 303,854	\$ (1,496,556)
Charges for services	-	910,134	-	-	975,947	(65,813)
Use of money	-	-	-	-	-	-
and property	13,500	7,078	-	-	14,023	(5,252)
Other	50,000	126,540	-	-	279,227	65,504
Total revenue	\$ 63,500	\$ 133,618	\$ 975,947	\$ 303,854	\$ 1,800,410	\$ (1,502,117)
<b>Expenditures</b>						
Community						
development						
block grant	-	-	-	-	-	-
Community services	-	-	-	-	1,800,410	1,496,556
Operating expenditures	-	-	303,189	-	303,189	218,707
Other	34,229	669	-	-	963,379	52,482
Total expenditures	\$ 34,229	\$ 669	\$ 303,189	\$ 303,854	\$ 3,009,355	\$ (1,502,117)
Excess (deficiency)						
of revenue over						
expenditures	\$ 29,271	\$ 132,949	\$ 12,568	\$ -	\$ 207,336	\$ 299,188
<b>Other Financing Sources</b>						
(Uses)						
Transfer from general fund	-	-	-	-	38,131	-
Transfer out to capital	(313,750)	-	-	-	(313,750)	313,750
projects fund						
Total other financing sources	\$ 313,750	\$ -	\$ 38,131	\$ -	\$ (275,619)	\$ 313,750
(Uses)						
<b>Excess of revenue and other</b>						
<b>financing sources over</b>						
<b>expenditures</b>	\$ (284,479)	\$ 132,949	\$ 12,568	\$ -	\$ 245,467	\$ 612,938
<b>Fund balance at</b>						
<b>beginning of year</b>	77,926	77,926	-	-	176,263	-
<b>Net increase in fund balance</b>						
<b>due to residual equity transfer</b>	-	-	-	-	-	(578,710)
<b>Fund balance at end</b>						
<b>of year</b>	\$ (206,553)	\$ 210,875	\$ 12,568	\$ -	\$ (156,980)	\$ 34,228

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# **Debt Service Fund**

The Debt Service Fund accounts for the payment of principal and interest on general long-term debt of the City.





## CITY OF ROCKVILLE, MARYLAND

Balance Sheet  
Debt Service Fund  
June 30, 2000  
(With Comparative Totals for 1999)

<u>Assets</u>	<u>2000</u>	<u>1999</u>
Equity in pooled cash and cash equivalents	\$2,827,510	\$3,033,149
Assessments receivable	26,444	22,190
Other assets	87,067	120,209
Unbilled assessments receivable	<u>3,192,297</u>	<u>3,390,748</u>
Total assets	<u>\$6,133,318</u>	<u>\$6,566,296</u>
<u>Liabilities and Fund Balance</u>		
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 120
Deferred revenue	3,218,741	3,412,938
Escrow	<u>384,300</u>	<u>384,300</u>
Total liabilities	\$3,603,041	\$3,797,358
<u>Fund Balance</u>		
Reserved for payment of:		
General obligation bonds and other debt	<u>2,530,277</u>	<u>2,768,938</u>
Total fund balance	<u>\$2,530,277</u>	<u>\$2,768,938</u>
Total liabilities and fund balance	<u>\$6,133,318</u>	<u>\$6,566,296</u>

## CITY OF ROCKVILLE, MARYLAND

Statement of Revenue, Expenditures, and Changes in Fund Balance  
 Revised Budget (GAAP Basis) and Actual-Debt Service Fund  
 For the Year Ended June 30, 2000  
 (With Comparative Totals for 1999)

	.....2000.....		Variance	
	Revised Budget	Actual	Favorable (Unfavorable)	1999
<u>Revenue</u>				
Assessments	\$ 437,712	\$ 443,801	\$ 6,089	\$ 1,672,873
Use of money and property	<u>80,000</u>	<u>93,993</u>	<u>13,993</u>	<u>81,958</u>
Total revenue	\$ 517,712	\$ 537,794	\$ 20,082	\$ 1,754,831
<u>Expenditures</u>				
Principal repayments:				
General obligation bonds	2,921,784	3,014,496	(92,712)	2,573,972
Interest payments:				
General obligation bonds	1,128,850	1,043,119	85,731	1,156,342
Other	<u>10,000</u>	<u>1,297</u>	<u>8,703</u>	<u>1,738</u>
Total expenditures	<u>\$ 4,060,634</u>	<u>\$ 4,058,912</u>	<u>\$ 1,722</u>	<u>\$ 3,732,052</u>
Excess of expenditures over revenues	\$(3,542,922)	\$(3,521,118)	\$ 21,804	\$(1,977,221)
<u>Other Financing Sources</u>				
Operating transfer in from general fund	<u>3,282,457</u>	<u>3,282,457</u>	<u>-</u>	<u>3,309,156</u>
Total financing sources	<u>\$ 3,282,457</u>	<u>\$ 3,282,457</u>	<u>\$ -</u>	<u>\$ 3,309,156</u>
Net increase in fund balance	<u>\$ (260,465)</u>	<u>\$ (238,661)</u>	<u>\$ 21,804</u>	<u>\$ 1,331,935</u>

# **Capital Projects Fund**

The Capital Projects Fund accounts for the purchase, construction, or renovation of major general fixed assets.



## CITY OF ROCKVILLE, MARYLAND

Balance Sheet  
 Capital Projects Fund  
 June 30, 2000  
 (With Comparative Totals for 1999)

	<u>2000</u>	<u>1999</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ -	\$3,498,447
Other assets	<u>50,464</u>	<u>51,467</u>
Total assets	<u>\$ 50,464</u>	<u>\$3,549,914</u>
<u>Liabilities and Fund Balances</u>		
Accounts payable	\$ 381,344	\$ 640,261
Interfund Payable	170,548	-
Deferred revenues	7,500	82,500
Retainages payable	<u>278,823</u>	<u>348,790</u>
Total liabilities	\$ 838,215	\$1,071,551
Fund balances:		
Reserved for encumbrances	1,589,229	2,279,080
Unreserved:		
Designated for future expenditures	-	199,283
Undesignated	<u>(2,376,980)</u>	<u>-</u>
Total fund balances	<u>\$ (787,751)</u>	<u>\$2,478,363</u>
Total liabilities and fund balances	<u>\$ 50,464</u>	<u>\$3,549,914</u>

## CITY OF ROCKVILLE, MARYLAND

Statement of Revenue, Expenditures, and Changes in Fund Balances  
 Capital Projects Fund  
 For the Year Ended June 30, 2000  
 (With Comparative Totals for 1999)

	<u>2000</u>	<u>1999</u>
<u>Revenue</u>		
Grants and contracts from other governments	\$ 772,611	\$ 638,508
Charges for services	56,160	5,305
Use of money and property	19,948	125,211
Total revenue	<u>\$ 848,719</u>	<u>\$ 769,024</u>
<u>Expenditures</u>		
Open projects	8,138,472	6,505,511
Closed projects	-	20,763
Total expenditures	<u>\$ 8,138,472</u>	<u>\$ 6,526,274</u>
Deficiency of revenue over expenditures	\$(7,289,753)	\$(5,757,250)
<u>Other Financing Sources</u>		
Transfer from general fund	3,000,000	3,700,000
Proceeds from sale of general obligation bonds	1,023,639	1,875,000
Total other financing sources	<u>\$ 4,023,639</u>	<u>\$ 5,575,000</u>
Deficiency of revenue and other financing sources over expenditures	\$(3,266,114)	\$ (182,250)
Fund balances at beginning of year	<u>\$ 2,478,363</u>	<u>\$ 2,660,613</u>
Fund balances at end of year	<u>\$ (787,751)</u>	<u>\$ 2,478,363</u>

# **Enterprise Funds**

Enterprise Funds are designed to be self-supporting. The City operates three major types of enterprise funds: Utility Funds, the Parking Fund, and the RedGate Golf Course Fund. The Utility Funds (the Water Facility Fund, the Sanitary Sewer Fund, the Refuse Fund, the Storm Water Management Fund) account for the provision of water, sewer, and refuse services and storm water detention/retention facilities to residents within the City's service area. The Parking Fund accounts for the Middle Lane parking lot, the future parking meter program, and the planning, design, construction, and operation of a proposed parking garage in the City's Town Center. The RedGate Golf Course Fund accounts for the operating and capital costs for the City's golf course facility.





## CITY OF ROCKVILLE, MARYLAND

Combining Balance Sheet  
 Enterprise Funds  
 June 30, 2000  
 (With Comparative totals for 1999)

	2000					
	Total Utility Funds	Swim Center Fund	Parking Fund	RedGate Golf Course Fund	Total	1999
<u>Assets</u>						
<u>Current Assets</u>						
Equity in pooled cash and cash Equivalents	\$14,501,012	\$ -	\$211,400	\$ 60,988	\$14,773,400	\$15,538,446
Accounts receivable, net	2,050,000	-	-	-	2,050,000	2,121,430
Assessments receivable	18,363	-	-	-	18,363	7,776
Purchased capacity, current portion	22,131	-	-	-	22,131	22,131
Other receivables/assets	57,627	-	539	724	58,890	136,264
Total current assets	\$16,649,133	\$ -	\$211,939	\$ 61,712	\$16,922,784	\$17,826,047
Unbilled assessments receivable	814,548	-	-	-	814,548	1,088,839
<u>Fixed Assets</u>						
Utility plant and equipment	55,611,541	-	-	3,524,406	59,135,947	55,538,849
Less - accumulated depreciation	(23,087,329)	-	-	(706,473)	(23,793,802)	(22,112,501)
Net fixed assets	\$32,524,212	\$ -	\$ -	\$2,817,933	\$35,342,145	\$33,426,348
Purchased capacity, long-term, net	12,180,371	-	-	-	12,180,371	10,722,105
Total assets	\$62,168,264	\$ -	\$211,939	\$2,879,645	\$65,259,848	\$63,063,339
<u>Liabilities and Equity</u>						
<u>Current Liabilities</u>						
Bonds payable within one year	\$ 817,318	\$ -	\$ -	\$ -	\$ 817,318	\$ 810,819
Accounts payable	2,072,347	-	16	21,826	2,094,189	1,796,085
Accrued liabilities	624,288	-	274	44,320	668,882	749,535
Deferred revenue	-	-	-	73,330	73,330	59,693
Retainages payable	240,206	-	-	10,500	250,706	266,994
Deposits and other liabilities	12,227	-	-	-	12,227	29,909
Total current liabilities	\$ 3,766,386	\$ -	\$ 290	\$ 149,976	\$ 3,916,652	\$ 3,713,035
<u>Long-Term Liabilities</u>						
Bonds payable	7,777,713	-	-	-	7,777,713	6,891,516
Total long-term liabilities	\$ 7,777,713	\$ -	\$ -	\$ -	\$ 7,777,713	\$ 6,891,516
Total liabilities	\$11,544,099	\$ -	\$ 290	\$ 149,976	\$11,694,365	\$10,604,551
<u>Equity</u>						
Contributed capital	22,840,317	-	-	1,047,561	23,887,878	24,290,108
Retained earnings:						
Reserved for debt repayment	378,517	-	-	-	378,517	378,517
Unreserved	27,405,331	-	211,649	1,682,108	29,299,088	27,790,163
Total equity	\$50,624,165	\$ -	\$211,649	\$2,729,669	\$53,565,483	\$52,458,788
Total liabilities and equity	\$62,168,264	\$ -	\$211,939	\$2,879,645	\$65,259,848	\$63,063,339

## CITY OF ROCKVILLE

Combining Statement of Revenue, Expenses, and Changes in Retained Earnings  
Enterprise Funds  
For the Year Ended June 30, 2000

	Total Utility Funds	Swim Center Fund	Parking Fund	RedGate Golf Course Fund	Total
<u>Operating Revenue</u>					
Charges for services	\$11,295,623	\$ -	\$209,910	\$ 949,164	\$12,454,697
Other revenue	<u>537,693</u>	<u>-</u>	<u>-</u>	<u>1,156</u>	<u>538,849</u>
Total operating revenue	\$11,833,316	\$ -	\$209,910	\$ 950,320	\$12,993,546
<u>Operating Expenses</u>					
Treatment and purification	\$ 1,139,141	\$ -	\$ -	\$ -	\$ 1,139,141
Distribution	593,768	-	-	-	593,768
Collection and disposal	4,702,256	-	-	-	4,702,256
Customer billing, collection, and operating expenses	2,818,164	-	26,113	918,851	3,763,128
Repairs and maintenance	<u>438,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>438,627</u>
Total operating expenses	<u>\$ 9,691,956</u>	<u>\$ -</u>	<u>\$ 26,113</u>	<u>\$ 918,851</u>	<u>\$10,636,920</u>
Net operating income (loss) before depreciation and amortization	\$ 2,141,360	\$ -	\$183,797	\$ 31,469	\$ 2,356,626
Less - depreciation and amortization	<u>(1,623,548)</u>	<u>-</u>	<u>-</u>	<u>(172,031)</u>	<u>(1,795,579)</u>
Operating income (loss)	\$ 517,812	\$ -	\$183,797	\$ (140,562)	\$ 561,047
<u>Nonoperating Income (Expenses)</u>					
Interest income	858,169	-	5,379	18,565	882,113
Interest expense	<u>(440,775)</u>	<u>-</u>	<u>-</u>	<u>(2,889)</u>	<u>(443,664)</u>
Total nonoperating income	<u>\$ 417,394</u>	<u>\$ -</u>	<u>\$ 5,379</u>	<u>\$ 15,676</u>	<u>\$ 438,449</u>
Income (loss) before operating transfers	\$ 935,206	\$ -	\$189,176	\$ (124,886)	\$ 999,496
<u>Operating Transfers In</u>					
Transfer in from general fund	<u>36,792</u>	<u>-</u>	<u>-</u>	<u>70,407</u>	<u>107,199</u>
Total operating transfer in	\$ 36,792	\$ -	\$ -	\$ 70,407	\$ 107,199
Net income (loss)	\$ 971,998	\$ -	\$189,176	\$ (54,479)	\$ 1,106,695
Depreciation charged directly against contributed capital	<u>402,230</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>402,230</u>
Increase (decrease) in retained earnings	\$ 1,374,228	\$ -	\$189,176	\$ (54,479)	\$ 1,508,925
Retained earnings at beginning of year	26,409,620	243,722	22,473	1,736,587	28,412,402
Residual equity transfer	<u>-</u>	<u>(243,722)</u>	<u>-</u>	<u>-</u>	<u>(243,722)</u>
Retained earnings at end of year	<u>\$27,783,848</u>	<u>\$ -</u>	<u>\$211,649</u>	<u>\$1,682,108</u>	<u>\$29,677,605</u>

## CITY OF ROCKVILLE, MARYLAND

Combining Statement of Revenue, Expenses, and Changes in Retained Earnings  
Revised Budget (GAAP Basis) and Actual - Enterprise Funds  
For the Year Ended June 30, 2000

	Total Utility Funds			Swim Center Fund			Parking Fund			RedGate Golf Course Fund			Total		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Total revenue	\$11,666,472	\$11,833,316	\$ 166,844	\$ -	\$ -	\$ -	\$292,762	\$209,910	\$ (82,852)	\$1,034,575	\$ 950,320	\$ (84,255)	\$12,993,809	\$12,993,546	\$ (263)
Total operating expenses	11,271,559	9,691,956	1,579,603	-	-	-	157,259	26,113	131,146	1,110,029	918,851	191,178	12,538,847	10,636,920	1,901,927
Net Operating income (loss) before depreciation and amortization	\$ 394,913	\$ 2,141,360	\$1,746,447	\$ -	\$ -	\$ -	\$135,503	\$183,797	\$ 48,294	\$ (75,454)	\$ 31,469	\$106,923	\$ 454,962	\$ 2,356,626	\$1,901,664
Depreciation and amortization	(1,623,548)	(1,623,548)	-	-	-	-	-	-	-	(172,031)	(172,031)	-	(1,795,579)	(1,795,579)	-
Operating income (loss)	\$ (1,228,635)	\$ 517,812	\$1,746,447	\$ -	\$ -	\$ -	\$135,503	\$183,797	\$ 48,294	\$ (247,485)	\$ (140,562)	\$106,923	\$ (1,340,617)	\$ 561,047	\$1,901,664
Nonoperating income (expenses)															
Interest income	602,000	858,169	256,169	-	-	-	-	5,379	5,379	18,000	18,565	565	620,000	882,113	262,113
Interest expense	(440,775)	(440,775)	-	-	-	-	-	-	-	(2,889)	(2,889)	-	(443,664)	(443,664)	-
Total nonoperating income	\$ 161,225	\$ 417,394	\$ 256,169	\$ -	\$ -	\$ -	\$ -	\$ 5,379	\$ 5,379	\$ 15,111	\$ 15,676	\$ 565	\$ 176,336	\$ 438,449	\$ 262,113
Income (loss) before operating transfers	\$ (1,067,410)	\$ 935,206	\$2,002,616	\$ -	\$ -	\$ -	\$135,503	\$189,176	\$ 53,673	\$ (232,374)	\$ (124,886)	\$107,488	\$ (1,164,281)	\$ 999,496	\$2,163,777
Operating Transfers In															
Transfer in from general fund	36,792	36,792	-	-	-	-	-	-	-	70,407	70,407	-	107,199	107,199	-
Total operating transfer in	\$ 36,792	\$ 36,792	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,407	\$ 70,407	\$ -	\$ 107,199	\$ 107,199	\$ -
Net income (loss)	\$ (1,030,618)	\$ 971,998	\$2,002,616	\$ -	\$ -	\$ -	\$135,503	\$189,176	\$ 53,673	\$ (161,967)	\$ (54,479)	\$107,488	\$ (1,057,082)	\$ 1,106,695	\$2,163,777
Depreciation charged directly against contributed capital	-	402,230	402,230	-	-	-	-	-	-	-	-	-	-	402,230	402,230
Net increase (decrease) in retained earnings	\$ (1,030,618)	\$ 1,374,228	\$2,404,846	\$ -	\$ -	\$ -	\$135,503	\$189,176	\$ 53,673	\$ (161,967)	\$ (54,479)	\$107,488	\$ (1,057,082)	\$ 1,508,925	\$2,566,007

## CITY OF ROCKVILLE, MARYLAND

Combining Statement of Cash Flows  
Enterprise Funds  
For the Year Ended June 30, 2000

	Total Utility Funds	Swim Center Fund	Parking Fund	RedGate Golf Course Fund	Total
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$11,932,795	\$ -	\$203,790	\$ 963,957	\$13,100,542
Cash payments to suppliers for goods and services	(5,139,915)	-	(25,175)	(427,561)	(5,592,651)
Cash payments to employees for services	<u>(4,391,849)</u>	<u>-</u>	<u>(658)</u>	<u>(498,073)</u>	<u>(4,890,580)</u>
Net cash provided by operating activities	\$ 2,401,031	\$ -	\$177,957	\$ 38,323	\$ 2,617,311
<b>Cash flows from noncapital financing activities:</b>					
Cash received from general fund	<u>36,792</u>	<u>-</u>	<u>-</u>	<u>70,407</u>	<u>107,199</u>
Net cash provided by noncapital financing activities	\$ 36,792	\$ -	\$ -	\$ 70,407	\$ 107,199
<b>Cash flows from capital and related financing activities:</b>					
Acquisition and construction of capital assets	(3,183,585)	-	-	(527,792)	(3,711,377)
Purchased capacity cost	(1,480,396)	-	-	-	(1,480,396)
Principal paid on general obligation bond maturities and equipment contracts	(743,822)	-	-	(66,975)	(810,797)
Interest paid on general obligation bonds and equipment contracts	(381,981)	-	-	(3,432)	(385,413)
Proceeds (including interest) from special assessments	357,918	-	-	-	357,918
Proceeds from the sale of bonds	<u>1,675,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,675,235</u>
Net cash (used) by capital and related financing activities	\$(3,756,631)	\$ -	\$ -	\$ (598,199)	\$(4,354,830)
<b>Cash flows from investing activities - interest on investments</b>	<u>838,489</u>	<u>-</u>	<u>4,840</u>	<u>21,945</u>	<u>865,274</u>
Net increase (decrease) in cash and cash equivalents	\$ (480,319)	\$ -	\$182,797	\$ (467,524)	\$ (765,046)
Cash and cash equivalents at beginning of year	<u>14,981,331</u>	<u>-</u>	<u>28,603</u>	<u>528,512</u>	<u>15,538,446</u>
Cash and cash equivalents at end of year	<u>\$14,501,012</u>	<u>\$ -</u>	<u>\$211,400</u>	<u>\$ 60,988</u>	<u>\$14,773,400</u>

(Continued)

# CITY OF ROCKVILLE, MARYLAND

## Combining Statement of Cash Flows (Continued) Enterprise Funds For the Year Ended June 30, 2000

### Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities

	Total Utility Funds	Swim Center Fund	Parking Fund	RedGate Golf Course Fund	Total
<b>Operating income (loss)</b>	\$ 517,812	\$ -	\$183,797	\$(140,562)	\$ 561,047
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</b>					
Depreciation and amortization	\$1,623,548	\$ -	\$ -	\$ 172,031	\$1,795,579
Changes in assets and liabilities:					
Decrease in accounts receivable	71,430	-	-	-	71,430
Increase (decrease) in accounts payable	299,869	-	(6,114)	4,287	298,042
Increase (decrease) in accrued liabilities	(69,968)	-	274	(18,760)	(88,454)
Increase in deferred revenue	-	-	-	13,637	13,637
Increase (decrease) in retainages payable	(23,978)	-	-	7,690	(16,288)
(Decrease) in deposits and other liabilities	<u>(17,682)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,682)</u>
 Total adjustments	 <u>\$1,883,219</u>	 <u>\$ -</u>	 <u>\$ (5,840)</u>	 <u>\$ 178,885</u>	 <u>\$2,056,264</u>
 <b>Net cash provided by operating activities</b>	 <u><u>\$2,401,031</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$177,957</u></u>	 <u><u>\$ 38,323</u></u>	 <u><u>\$2,617,311</u></u>

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## CITY OF ROCKVILLE, MARYLAND

Combining Balance Sheet  
Enterprise Funds - Utility Funds  
June 30, 2000

<u>Assets</u>	<u>Water Facility Fund</u>	<u>Sanitary Sewer Fund</u>	<u>Refuse Fund</u>	<u>Storm Water Management Fund</u>	<u>Total</u>
<u>Current Assets</u>					
Equity in pooled cash and cash equivalents	\$ 3,768,254	\$ 1,395,404	\$1,803,396	\$ 7,533,958	\$14,501,012
Accounts receivable, net	507,593	882,454	659,953	-	2,050,000
Assessments receivable	8,932	9,431	-	-	18,363
Purchased capacity, current portion	-	22,131	-	-	22,131
Other receivables	16,754	8,658	8,842	23,373	57,627
Total current assets	\$ 4,301,533	\$ 2,318,078	\$2,472,191	\$ 7,557,331	\$16,649,133
Unbilled assessments receivable	396,121	418,427	-	-	814,548
<u>Fixed Assets</u>					
Utility plant and equipment	29,758,482	18,980,162	2,327,993	4,544,904	55,611,541
Less - accumulated depreciation	(11,679,679)	(9,440,825)	(1,039,306)	(927,519)	(23,087,329)
Net fixed assets	\$18,078,803	\$ 9,539,337	\$ 1,288,687	\$ 3,617,385	\$32,524,212
Purchased capacity, long-term, net	-	12,180,371	-	-	12,180,371
Total assets	<u>\$22,776,457</u>	<u>\$24,456,213</u>	<u>\$3,760,878</u>	<u>\$11,174,716</u>	<u>\$62,168,264</u>
<u>Liabilities and Equity</u>					
<u>Current Liabilities</u>					
Bonds payable within one year	\$ 429,409	\$ 387,909	\$ -	\$ -	\$ 817,318
Accounts payable	192,988	1,766,583	82,497	30,279	2,072,347
Accrued liabilities	336,215	74,993	199,629	13,451	624,288
Retainages payable	233,269	-	3,442	3,495	240,206
Deposits and other liabilities	12,227	-	-	-	12,227
Total current liabilities	\$ 1,204,108	\$ 2,229,485	\$ 285,568	\$ 47,225	\$ 3,766,386
<u>Long-Term Liabilities</u>					
Bonds payable	5,031,114	2,746,599	-	-	7,777,713
Total long-term liabilities	<u>\$ 5,031,114</u>	<u>\$ 2,746,599</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,777,713</u>
Total liabilities	\$ 6,235,222	\$ 4,976,084	\$ 285,568	\$ 47,225	\$11,544,099
<u>Equity</u>					
Contributed capital	\$ 8,152,413	\$ 7,032,026	\$ -	\$ 7,655,878	\$22,840,317
Retained earnings:					
Reserved for debt repayment	169,400	209,117	-	-	378,517
Unreserved	8,219,422	12,238,986	3,475,310	3,471,613	27,405,331
Total Equity	<u>\$16,541,235</u>	<u>\$19,480,129</u>	<u>\$3,475,310</u>	<u>\$11,127,491</u>	<u>\$50,624,165</u>
Total liabilities and equity	<u>\$22,776,457</u>	<u>\$24,456,213</u>	<u>\$3,760,878</u>	<u>\$11,174,716</u>	<u>\$62,168,264</u>

## CITY OF ROCKVILLE, MARYLAND

Combining Statement of Revenue, Expenses, and Changes in Retained Earnings  
Enterprise Funds - Utility Funds  
For the Year Ended June 30, 2000

	Water Facility Fund	Sanitary Sewer Fund	Refuse Fund	Storm Water Management Fund	Total
<u>Operating Revenue</u>					
Charges for services	\$2,698,122	\$ 4,495,867	\$2,843,819	\$1,257,815	\$11,295,623
Other revenue	<u>402,895</u>	<u>131,392</u>	<u>2,798</u>	<u>608</u>	<u>537,693</u>
Total operating revenue	\$3,101,017	\$ 4,627,259	\$2,846,617	\$1,258,423	\$11,833,316
<u>Operating Expenses</u>					
Treatment and purification	1,139,141	-	-	-	1,139,141
Distribution	593,768	-	-	-	593,768
Collection and disposal	-	1,926,696	2,775,560	-	4,702,256
Customer billing, collection and operating expenses	819,041	1,039,738	463,725	495,660	2,818,164
Repairs and maintenance	<u>101,243</u>	<u>78,299</u>	<u>259,085</u>	<u>-</u>	<u>438,627</u>
Total operating expenses	<u>\$2,653,193</u>	<u>\$ 3,044,733</u>	<u>\$3,498,370</u>	<u>\$ 495,660</u>	<u>\$ 9,691,956</u>
Operating income (loss) before depreciation and amortization	\$ 447,824	\$ 1,582,526	\$ (651,753)	\$ 762,763	\$ 2,141,360
Less - depreciation and amortization	<u>(798,532)</u>	<u>(497,377)</u>	<u>(248,766)</u>	<u>(78,873)</u>	<u>(1,623,548)</u>
Operating income (loss)	\$ (350,708)	\$ 1,085,149	\$ (900,519)	\$ 683,890	\$ 517,812
<u>Nonoperating Income (Expenses)</u>					
Interest income	237,651	130,997	140,845	348,676	858,169
Interest expense	<u>(228,665)</u>	<u>(212,110)</u>	<u>-</u>	<u>-</u>	<u>(440,775)</u>
Total nonoperating income (expenses)	<u>\$ 8,986</u>	<u>\$ (81,113)</u>	<u>\$ 140,845</u>	<u>\$ 348,676</u>	<u>\$ 417,394</u>
Income (loss) before operating transfers	\$ (341,722)	\$ 1,004,036	\$ (759,674)	\$1,032,566	\$ 935,206
<u>Operating Transfers In</u>					
Transfer in from general fund	<u>-</u>	<u>-</u>	<u>36,792</u>	<u>-</u>	<u>36,792</u>
Net income (loss)	\$ (341,722)	\$ 1,004,036	\$ (722,882)	\$1,032,566	\$ 971,998
Depreciation charged directly against contributed capital	<u>187,972</u>	<u>158,177</u>	<u>-</u>	<u>56,081</u>	<u>402,230</u>
Increase (decrease) in retained earnings	\$ (153,750)	\$ 1,162,213	\$ (722,882)	\$1,088,647	\$ 1,374,228
Retained earnings at beginning of year	<u>8,542,572</u>	<u>11,285,890</u>	<u>4,198,192</u>	<u>2,382,966</u>	<u>26,409,620</u>
Retained earnings at end of year	<u>\$8,388,822</u>	<u>\$12,448,103</u>	<u>\$3,475,310</u>	<u>\$3,471,613</u>	<u>\$27,783,848</u>



## CITY OF ROCKVILLE, MARYLAND

Combining Statement of Revenue, Expenses, and Changes in Retained Earnings  
Revised Budget (GAAP Basis) and Actual - Enterprise Funds - Utility Funds  
For the Year Ended June 30, 2000

	Water Facility Fund			Sanitary Sewer Fund			Refuse Fund			Storm Water Management Fund			Total
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	
Total revenue	\$3,177,235	\$3,101,017	\$(76,218)	\$4,859,666	\$4,627,259	\$(232,407)	\$2,879,571	\$2,846,617	\$(32,954)	\$750,000	\$1,258,423	\$508,423	\$11,833,316
Total operating Expenses	2,725,559	2,653,193	72,366	3,814,738	3,044,733	770,005	4,073,739	3,498,370	575,369	657,523	495,660	161,863	9,691,956
Operating income (loss) before depreciation and amortization	\$ 451,676	\$ 447,824	\$(3,852)	\$1,044,928	\$1,582,526	\$ 537,598	\$(1,194,168)	\$(651,753)	\$542,415	\$ 92,477	\$ 762,763	\$ 670,286	\$ 2,141,360
Depreciation and amortization	(798,532)	(798,532)	-	(497,377)	(497,377)	-	(248,766)	(248,766)	-	(78,873)	(78,873)	-	(1,623,548)
Operating income (loss)	\$(346,856)	\$(350,708)	\$(3,852)	\$ 547,551	\$1,085,149	\$ 537,598	\$(1,442,934)	\$(900,519)	\$542,415	\$ 13,604	\$ 683,890	\$ 670,286	\$ 517,812
Nonoperating Income (Expenses)													
Interest income	125,000	237,651	112,651	42,000	130,997	88,997	120,000	140,845	20,845	315,000	348,676	33,676	858,169
Interest expense	(228,665)	(228,665)	-	(212,110)	(212,110)	-	-	-	-	-	(440,775)	-	(440,775)
Total nonoperating income (expenses)	\$(103,665)	8,986	\$112,651	\$(170,110)	\$(81,113)	\$ 88,997	\$ 120,000	\$ 140,845	\$ 20,845	\$315,000	\$ 348,676	\$ 33,676	\$ 417,394
Income (loss) before operating transfers	\$(450,521)	\$(341,722)	\$108,799	\$ 377,441	\$1,004,036	\$ 626,595	\$(1,322,934)	\$(759,674)	\$563,260	\$328,604	\$1,032,566	\$703,962	\$ 935,206
Operating Transfers													
In Transfer in from general fund	-	-	-	-	-	-	36,792	36,792	-	-	-	-	36,792
Net income (loss)	\$(450,521)	\$(341,722)	\$108,799	\$ 377,441	\$1,004,036	\$ 626,595	\$(1,286,142)	\$(722,882)	\$563,260	\$328,604	\$1,032,566	\$703,962	\$ 971,998
Depreciation charged directly against contributed capital	-	187,972	187,972	-	158,177	158,177	-	-	-	-	56,081	56,081	402,230
Net increase (decrease) in retained earnings	\$(450,521)	\$(153,750)	\$296,771	\$ 377,441	\$1,162,213	\$ 784,772	\$(1,286,142)	\$(722,882)	\$563,260	\$328,604	\$1,088,647	\$760,043	\$ 1,374,228
													\$ 2,404,846

## CITY OF ROCKVILLE, MARYLAND

Combining Statement of Cash Flows  
Enterprise Funds-Utility Funds  
For the Year Ended June 30, 2000

	Water Facility Fund	Sanitary Sewer Fund	Refuse Fund	Storm Water Management Fund	Total Utility Funds
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 3,125,762	\$ 4,718,556	\$ 2,825,662	\$ 1,262,815	\$11,932,795
Cash payments to suppliers for goods and services	(1,313,834)	(1,980,151)	(1,399,258)	(446,672)	(5,139,915)
Cash payments to employees for services	<u>(1,420,434)</u>	<u>(650,190)</u>	<u>(2,104,110)</u>	<u>(217,115)</u>	<u>(4,391,849)</u>
Net cash provided (used) by operating activities	\$ 391,494	\$ 2,088,215	\$ (677,706)	\$ 599,028	\$ 2,401,031
<b>Cash flows from noncapital financing activities:</b>					
Cash received from general fund	<u>-</u>	<u>-</u>	<u>36,792</u>	<u>-</u>	<u>36,792</u>
Net cash provided by noncapital financing activities	\$ -	\$ -	\$ 36,792	\$ -	\$ 36,792
<b>Cash flows from capital and related financing activities:</b>					
Acquisition and construction of capital assets	(1,090,191)	(1,098,628)	(796,629)	(198,137)	(3,183,585)
Purchased capacity cost	-	(1,480,396)	-	-	(1,480,396)
Principal paid on general obligation bond maturities and equipment contracts	(294,783)	(449,039)	-	-	(743,822)
Interest paid on general obligation bonds and equipment contracts	(201,148)	(180,833)	-	-	(381,981)
Proceeds (including interest) from special assessments	174,091	183,827	-	-	357,918
Proceeds from the sale of bonds	<u>1,675,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,675,235</u>
Net cash provided (used) by capital and related financing activities	\$ 263,204	\$ (3,025,069)	\$ (796,629)	\$ (198,137)	\$ (3,756,631)
<b>Cash flows from investing activities - interest on investments</b>	<u>203,595</u>	<u>101,886</u>	<u>158,818</u>	<u>374,190</u>	<u>838,489</u>
Net increase (decrease) in cash and cash equivalents	\$ 858,293	\$ (834,968)	\$ (1,278,725)	\$ 775,081	\$ (480,319)
Cash and cash equivalents at beginning of year	<u>2,909,961</u>	<u>2,230,372</u>	<u>3,082,121</u>	<u>6,758,877</u>	<u>14,981,331</u>
Cash and cash equivalents at end of year	<u>\$ 3,768,254</u>	<u>\$ 1,395,404</u>	<u>\$ 1,803,396</u>	<u>\$7,533,958</u>	<u>\$14,501,012</u>

(Continued)

# CITY OF ROCKVILLE, MARYLAND

## Combining Statement of Cash Flows (Continued) Enterprise Funds-Utility Funds For the Year Ended June 30, 2000

### Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

	<u>Water Facility Fund</u>	<u>Sanitary Sewer Fund</u>	<u>Refuse Fund</u>	<u>Storm Water Management Fund</u>	<u>Total Utility Funds</u>
<b>Operating income (loss)</b>	\$(350,708)	\$1,085,149	\$(900,519)	\$683,890	\$ 517,812
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>					
Depreciation and amortization	798,532	497,377	248,766	78,873	1,623,548
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	5,419	78,801	(12,790)	-	71,430
Increase (decrease) in accounts payable	(88,421)	445,582	18,886	(76,178)	299,869
Increase (decrease) in accrued liabilities	(16,201)	(18,694)	(35,491)	418	(69,968)
Increase (decrease) in retainages payable	60,555	-	3,442	(87,975)	(23,978)
(Decrease) in deposits and other liabilities	(17,682)	-	-	-	(17,682)
<b>Total adjustments</b>	<u>\$ 742,202</u>	<u>\$1,003,066</u>	<u>\$ 222,813</u>	<u>\$(84,862)</u>	<u>\$1,883,219</u>
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ 391,494</u></u>	<u><u>\$2,088,215</u></u>	<u><u>\$(677,706)</u></u>	<u><u>\$599,028</u></u>	<u><u>\$2,401,031</u></u>

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# **General Fixed Assets Account Group**

The General Fixed Assets Account Group represents a summary of the fixed assets of the City other than assets of the Enterprise Funds. Capital outlays in funds other than Enterprise Funds are recorded as expenditures of those funds at the time of purchase and are subsequently recorded, at cost, for control purposes in the General Fixed Assets Account Group. In accordance with generally accepted accounting principles for municipalities, depreciation is not recorded on general fixed assets.



## CITY OF ROCKVILLE, MARYLAND

Schedule of Changes in General Fixed Assets  
By Source  
For the Year Ended June 30, 2000

	<u>2000 Additions Funded From</u>					<u>Balance at June 30, 2000</u>
	<u>Balance at June 30, 1999</u>	<u>Capital Projects Funds</u>	<u>Transfer</u>	<u>Current Revenue</u>	<u>Disposals</u>	
<u>General Fixed Assets, at Cost</u>						
Land	\$ 7,762,762	\$ -	\$ 135,336	\$ -	\$ -	\$ 7,898,098
Buildings	8,301,811	-	1,231,819	-	-	9,533,630
Improvements other than buildings	2,597,636	-	2,312,307	-	-	4,909,943
Machinery and equipment	8,133,055	-	27,154	1,574,247	(1,137,244)	8,597,212
Construction in progress	<u>6,069,534</u>	<u>2,628,682</u>	<u>195,527</u>	<u>-</u>	<u>-</u>	<u>8,893,743</u>
Total general fixed assets	<u>\$32,864,798</u>	<u>\$2,628,682</u>	<u>\$3,902,143</u>	<u>\$1,574,247</u>	<u>\$(1,137,244)</u>	<u>\$39,832,626</u>
<u>Investment in General Fixed Assets</u>						
Investment in general Property acquired prior to July 1, 1959	\$ 3,899,631	\$ -	\$ -	\$ -	\$ -	\$ 3,899,631
Investment in property acquired after June 30, 1959, from:						
General bonds	10,949,024	2,628,682	3,902,143	-	-	17,479,849
Current revenue	9,641,014	-	-	1,574,247	(1,137,244)	10,078,017
Special assessments against property owners	5,409,590	-	-	-	-	5,409,590
Community development block grant	1,707,855	-	-	-	-	1,707,855
Federal revenue sharing	138,945	-	-	-	-	138,945
RedGate construction and acquisition fund	<u>1,118,739</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,118,739</u>
Total investment in General fixed assets	<u>\$32,864,798</u>	<u>\$2,628,682</u>	<u>\$3,902,143</u>	<u>\$1,574,247</u>	<u>\$(1,137,244)</u>	<u>\$39,832,626</u>

## CITY OF ROCKVILLE, MARYLAND

Schedule of Changes in General Fixed Assets  
By Function and Activity  
For the Year Ended June 30, 2000

	General Fixed Assets June 30, <u>1999</u>	Additions/ <u>Transfers</u>	<u>Disposals</u>	General Fixed Assets June 30, <u>2000</u>
<u>General Government</u>				
Mayor, Council, and Executive	\$ 156,827	\$ -	\$ -	\$ 156,827
Staff agencies:				
Legal	19,840	-	-	19,840
Planning	112,534	2,466	(3,270)	111,730
Finance	1,607,853	200,189	(421,030)	1,387,012
Engineering	202,909	-	-	202,909
Administrative services	18,496	-	-	18,496
Community relations and office services	546,379	-	(6,620)	539,759
Public building	9,376,849	382,997	-	9,759,846
Total staff agencies	<u>\$11,884,860</u>	<u>\$ 585,652</u>	<u>\$ (430,920)</u>	<u>\$12,039,592</u>
Total general government	\$12,041,687	\$ 585,652	\$ (430,920)	\$12,196,419
<u>Public Safety</u>				
Police protection	744,264	45,282	(8,710)	780,836
Protective inspection	173,344	-	-	173,344
Total public safety	\$ 917,608	\$ 45,282	\$ (8,710)	\$ 954,180
Transportation	2,628,125	1,275,553	(689,875)	3,213,803
Recreation	11,207,844	3,374,376	(7,739)	14,574,481
Construction in progress	<u>6,069,534</u>	<u>2,824,209</u> <sup>1</sup>	<u>-</u>	<u>8,893,743</u>
Total general fixed assets	<u>\$32,864,798</u>	<u>\$8,105,072</u>	<u>\$(1,137,244)</u>	<u>\$39,832,626</u>

<sup>1</sup> Includes additions of \$2,628,682 representing construction in progress and transfers of \$195,527 as a result of completed construction projects.



## CITY OF ROCKVILLE, MARYLAND

Schedule of General Fixed Assets  
By Function and Activity  
As of June 30, 2000

<u>General Government</u>	<u>Total</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>	<u>Machinery and Equipment</u>
Mayor, Council, and Executive	\$ 156,827	\$ -	\$ -	\$ -	\$ 156,827
Staff agencies:					
Legal	19,840	-	-	-	19,840
Planning	111,730	-	-	-	111,730
Finance	1,387,012	-	-	-	1,387,012
Engineering	202,909	-	-	-	202,909
Administrative services	18,496	-	-	-	18,496
Community relations and office services	539,759	-	-	-	539,759
Public building	9,759,846	2,202,492	6,444,232	541,395	571,727
Total staff agencies	<u>\$12,039,592</u>	<u>\$2,202,492</u>	<u>\$ 6,444,232</u>	<u>\$ 541,395</u>	<u>\$2,851,473</u>
Total general government	<u>\$12,196,419</u>	<u>\$2,202,492</u>	<u>\$ 6,444,232</u>	<u>\$ 541,395</u>	<u>\$3,008,300</u>
<u>Public Safety</u>					
Police protection	780,836	-	-	-	780,836
Protective inspection	173,344	-	-	-	173,344
Total public safety	<u>\$ 954,180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 954,180</u>
Transportation	3,213,803	39,511	34,505	231,671	2,908,116
Recreation	<u>14,574,481</u>	<u>5,656,095</u>	<u>3,054,893</u>	<u>4,136,877</u>	<u>1,726,616</u>
Total general fixed assets allocated by function	<u>\$30,938,883</u>	<u>\$7,898,098</u>	<u>\$ 9,533,630</u>	<u>\$4,909,943</u>	<u>\$8,597,212</u>
Construction in progress	<u>8,893,743</u>				
Total general fixed assets	<u>\$39,832,626</u>				

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